33150-2-4

COMPREHENSIVE ANNUAL FINANCIAL REPORT

OF THE

STATE OF MICHIGAN

FISCAL YEAR ENDED SEPTEMBER 30, 1990

Prepared By:
THE DEPARTMENT OF MANAGEMENT AND BUDGET
PATRICIA A. WOODWORTH, DIRECTOR

OFFICE OF ACCOUNTING
JAMES J. BOLTHOUSE, DIRECTOR
RUSSELL E. PIGUE
Joseph D. Frick
Steven D. Grover
Donald F. Knieper
Lisa S. Fath
Palmer S. Giron
John J. Hayes
Cynthia A. Hoffman
Juzer J. Modi
Kimberly R. Stephen

STATE OF MICHIGAN
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 1990
TABLE OF CONTENTS

Page

I. INTRODUCTORY SECTION

Title Page i
Table of Contents ii
Letter of Transmittal iv
Certificate of Achievement x
State Organizational Structure xi
Principal State Officials xii

II. FINANCIAL SECTION

Independent Auditor's Report 2
Independent Accountants' Review Report 4

General Purpose Financial Statements

Combined Balance Sheet - All Fund Types and Account Groups 6
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Funds 8
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General and Special Revenue Funds 10
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings and Fund Balances - Proprietary Fund Types and Similar Trust Funds 12
Combined Statement of Changes in Financial Position - Proprietary-Fund Types 13
Notes to Financial Statements 15

Supplemental Financial Data - Combining Financial Statements and Schedules

Special Revenue Funds - By Classification:
Combining balance sheet 64
Combining statement of revenues, expenditures, and changes in fund balances 66
Combining schedule of revenues, expenditures, and changes in fund balances - budget and actual 68
Special Revenue Funds - Transportation Related:
Combining balance sheet 74
Combining statement of revenues, expenditures, and changes in fund balances 76
Combining schedule of revenues, expenditures, and changes in fund balances - budget and actual 78
Special Revenue Funds - Conservation and Recreation Related:
Combining balance sheet 84
Combining statement of revenues, expenditures, and changes in fund balances 86
Combining schedule of revenues, expenditures, and changes in fund balances - budget and actual 88
Special Revenue Funds - Regulatory and Administrative Related:
Combining balance sheet 94
Combining statement of revenues, expenditures, and changes in fund balances 96
Combining schedule of revenues, expenditures, and changes in fund balances - budget and actual 98
Special Revenue Funds - Other State Funds:
Combining balance sheet 104
Combining statement of revenues, expenditures, and changes in fund balances 106
Combining schedule of revenues, expenditures, and changes in fund balances - budget and actual 108
Special Revenue Funds - Component Units:
Combining balance sheet 114
Combining statement of revenues, expenditures, and changes in fund balances 116
Debt Service Funds:
Combining balance sheet 120
Combining statement of revenues, expenditures, and changes in fund balances 122

STATE OF MICHIGAN
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 1990
TABLE OF CONTENTS (Continued)

Page

Supplemental Financial Data - Combining Financial Statements and Schedules (Continued)

Capital Projects Funds:
Combining balance sheet..... 126
Combining statement of revenues, expenditures, and changes in fund balances..... 127
Enterprise Funds - By Classification:
Combining balance sheet..... 128
Combining statement of revenues, expenses, and changes in retained earnings..... 129
Combining statement of changes in financial position..... 130
Enterprise Funds - State Funds:
Combining balance sheet..... 134
Combining statement of revenues, expenses, and changes in retained earnings..... 136
Combining statement of changes in financial position..... 138
Enterprise Funds - Component Units:
Combining balance sheet..... 142
Combining statement of revenues, expenses, and changes in retained earnings..... 144
Combining statement of changes in financial position..... 146
Internal Service Funds:
Combining balance sheet..... 150
Combining statement of revenues, expenses, and changes in retained earnings..... 152
Combining statement of changes in financial position..... 154
Trust and Agency Funds - By Classification - combining balance sheet..... 157
Expendable Trust Funds:
Combining balance sheet..... 160
Combining statement of revenues, expenditures, and changes in fund balances..... 162
Pension Trust Funds:
Combining balance sheet..... 166
Combining statement of revenues, expenses, and changes in fund balances..... 168
Agency Funds:
Combining statement of changes in assets and liabilities..... 172

Supplemental Financial Data - Schedules

Schedule of general fixed assets account group by function..... 177
Schedule of changes in general fixed assets by function..... 177
Combined schedule of revenue and other financing sources - General and Special Revenue Funds - state funds..... 178
Schedule of revenue and other financing sources - General Fund..... 180
Source and disposition of General Fund authorizations..... 182

III. STATISTICAL SECTION

Statistical Data

Required supplementary historical trend information - pension plans..... 188
Revenue, bond proceeds, and capital lease acquisitions - General and Special Revenue Funds - state funds..... 194
Schedule of expenditures by function - General and Special Revenue Funds - state funds..... 196
Ratio of annual debt service expenditures for general obligation bonded debt to total General Fund expenditures and transfers..... 198
Net general obligation bonded debt per capita..... 199
Debt service coverage - Comprehensive Transportation Fund related bonds..... 200
Debt service coverage - State Trunkline Fund related bonds..... 202

Economic and Social Data

Economic and social data..... 206

Statements and schedules are truncated to thousands of dollars. Because of this, they may not add to the totals.

STATE OF MICHIGAN

JOHN ENGLER, Governor

DEPARTMENT OF MANAGEMENT & BUDGET

P.O. BOX 30026, LANSING, MICHIGAN 48909
PATRICIA A. WOODWORTH, Director

The Honorable John Engler, Governor
Members of the Legislature
People of the State of Michigan

In compliance with Article IX, Section 21, of the State of Michigan Constitution and Michigan Public Act 431 of 1984, I am pleased to submit the Comprehensive Annual Financial Report of the State of Michigan for the fiscal year ended September 30, 1990.

INTRODUCTION TO THE REPORT

Responsibility: This report is prepared by the Department of Management and Budget, Office of Accounting, which is responsible for both the accuracy of the data and the completeness and fairness of the presentation, including disclosures. To the best of our knowledge and belief, the enclosed information is accurate in all material respects and reported in a manner designed to fairly present the financial position and results of operations of the various funds and account groups of the State. All disclosures necessary to enable the reader to gain a reasonable understanding of the State's financial affairs have been included.

Compliance with Accounting Standards: As required by statute, the financial statements are prepared in accordance with generally accepted accounting principles (GAAP). We have also voluntarily chosen to follow the recommendations of the Government Finance Officers Association for the contents of government financial reports.

Method of Presentation: The term "Comprehensive Annual Financial Report" is used to describe all of the data presented in this report. The report is divided into three major sections: introductory, financial, and statistical. The introductory section includes this letter, the State's organization chart, and the list of principal officials. The financial section includes: the "General Purpose Financial Statements," which combine funds and component units with similar accounting objectives in columns of fund types; the auditor's opinion on the General Purpose Financial Statements; and, the supplemental financial data section, which includes the combining financial statements and schedules. The statistical section includes such items as trend information, information on debt levels, and other selected economic and statistical data.

Reporting Entity: This report includes all the funds and account groups for all activities of the State government, as required by GAAP. Basically, this includes the nineteen Executive Branch departments, the Legislature, and the State portion of the court system. It also includes autonomous entities which are not accounted for in the central accounting system but over which the State exercises, or has the ability to exercise, significant oversight. These autonomous entities are referred to as "component units" and they include the following organizations: State Building Authority, Michigan Higher Education Facilities Authority, Michigan Family Farm Development Authority, Mackinac Bridge Authority, Michigan Unemployment Compensation Fund, Michigan State Hospital Finance Authority, Michigan Education Trust, Michigan Higher Education Student Loan Authority, Michigan Higher Education Assistance Authority, Mackinac Island State Park Commission, Michigan Strategic Fund, and Michigan State Housing Development Authority. In this report, the statements for these component units are "blended" with the statements for the funds in the State's accounting system. Because many readers are also interested in information which excludes component units, we have presented details in the combining statements, schedules, and notes which permit the segregation of those amounts.

Other organizations which do not meet the GAAP criteria for inclusion and which are, therefore, not included in this report are the several public institutions of higher education and the portions of the court system which are considered to be local units of government.

The Accident Fund of Michigan is reported in these statements as a State fund for the first time this year. In past years, the State was not able to exercise oversight over this organization, which is a provider of workers' compensation insurance. Litigation between the State and the Accident Fund that had precluded the State from exercising control was resolved in the State's favor.

ECONOMIC CONDITION AND OUTLOOK

The Michigan economy has diversified substantially from the dominance of the automobile manufacturing sector, but is still affected by the fortunes of that industry. As the national economy has slowed, the Michigan economy has slowed as well. Wage and salary employment has been stagnant over the past year, averaging 3,897,000 workers for calendar year 1990, compared to 3,905,000 for calendar 1989. Personal income in Michigan grew by an estimated 4.5% for 1990, with wage and salary income growing 3.3%.

The State's current economic forecast, released March 7, 1991, anticipates a mild recession lasting through the second quarter of 1991. Real GNP for 1991 is forecast to decline by 0.2%, with the recovery beginning in the spring of 1991 leading to a 2.9% growth for 1992. Motor vehicle sales are projected at 12.9 million units for 1991 and 13.9 million units for 1992.

The near term outlook for the State will require strong management to address the budget shortfalls created by the recession in addition to the underlying expenditure problems created by the same pressures in health care and corrections now confronting nearly every state in the union. The administration of the state is committed to the tough management decisions necessary to balance the budget without a tax increase. The 1991-92 fiscal year Executive Budget presented to the Legislature on March 7 includes just such a plan, and also includes funding for a five percent cut in local school property taxes ($525 million), to be reimbursed to schools by the State, as well as substantial increases in funding for all areas of education. The budget represents a strong reorientation of spending priorities in Michigan, and is the first step in putting meaningful controls on many built-in spending pressures.

MAJOR INITIATIVES AND FUTURE PROJECTS

The State continues to maintain full compliance with generally accepted accounting principles while acknowledging serious budget difficulties. The General Fund deficit reported for the 1989-90 fiscal year will be dealt with according to constitutional principles as a mandated obligation of the 1990-91 budget. Part of the resolution of the deficit, as well as continuing budget pressures in the current year, will utilize a withdrawal from the state's Countercyclical Budget and Economic Stabilization Fund, but current projections still show it with a balance of $202.9 million at the end of fiscal year 1990-91, and $217.9 million at the end of 1991-92.

I would like to highlight three major areas that are top priorities of our new administration. These three areas are: property tax cuts, education excellence, and prudent fiscal management.

Property tax cuts: Among our highest objectives is implementing a meaningful property tax relief program. The need for property tax relief is apparent to all. We have the fourth highest property tax level in the nation and this imposes an enormous cost to the State in the form of lost jobs, lost business, and lost population.

The comprehensive property tax cut plan we have proposed will ultimately provide an across the board school property tax cut of 20% for all taxpayers. Such a cut will do far more to stimulate the economy and create jobs for Michigan citizens than any new government spending program. Local property taxes need to be cut and this can be accomplished if the State assumes its rightful responsibility for adequately funding its share of the cost of operating local schools.

Education excellence: Education funding will be an absolute priority in the budgets of this administration. Our most important goal is excellence in every school. Our budgets will put education at the top of the agenda.

To obtain the best value for our education dollar, we will establish goals that go beyond funding levels. Every child must enter school ready to learn in schools free of drugs and violence. We also need to establish educational systems that provide competition, parental choice, and financial equity.

Prudent fiscal management: In recent years, the level of State spending has grown at a rate that is impossible to maintain. Now, strong fiscal measures are required to bring our budgets back in order. Spending must be brought under control and government must begin to live within its means.

Too often, governments resort to "stop gap" measures to avoid facing economic reality. Such measures only postpone the tough choices that must be made and ultimately make the fiscal problem worse. We intend to make the decisions that must be made and to make them promptly. This will enable Michigan to cut taxes, appropriately fund our education programs, and help our citizens compete in the global marketplace of the 1990's.

FINANCIAL INFORMATION

Internal Control Structure: The Department of Management and Budget is responsible for the overall operation of the State's central accounting and internal accounting control system. All appropriations and transactions (except for those of component units and the Accident Fund of Michigan) are recorded in the central accounting system, but many of the essential control features, such as payment voucher preparation, have been decentralized. State statutes require each department to appoint an internal auditor and maintain adequate internal control systems. Each department is required to periodically report on the status of its internal accounting and administrative control systems and, if any material weaknesses exist, provide plans and a time schedule for addressing problem areas.

Budgetary Reporting and Control: Public Act 431 of 1984 requires the State to adhere to GAAP in calculating fund balance for budgetary purposes. The statute also requires that the budget must provide for an ending unreserved fund balance which is not in deficit. If, as occurred this year, a deficit is incurred, the Constitution requires it to be addressed in the subsequent year's budget. If accounting principles change, the statute requires the State to also implement the change in its budgetary process.

The budgetary basis departs from GAAP only in ways that do not affect unreserved fund balance and that do not impact most revenue and expenditure line items. Appropriations for nearly all line items, therefore, are made on a basis consistent with GAAP which makes it possible for the State to use the central accounting system for both budgetary control and financial reporting. Two departures are the use of encumbrances, which GAAP does not require, and the funding of capital lease commitments on a "pay as you go" basis, rather than at lease inception. Compliance with the final updated budget for the annually budgeted operating funds is demonstrated in the budget to actual comparative statements, notes, and related supplementary schedules in this report.

Financial Highlights - General Governmental Functions: For the purpose of the following two tables and related discussions in this letter, the "General Governmental Functions" are considered to be the activities of the State's General and special revenue funds, excluding component units. These are the State funds most traditionally thought of as being the normal activities of the State:

Revenues (in millions):

Revenue Source	1989-90 Amount	Percent of Total	Change From 1988-89	Percentage Change
Personal Income Tax	$ 3,907.7	24.1%	$ 141.5	3.8%
Sales Tax	2,671.3	16.4	56.1	2.1
Single Business Tax	1,798.6	11.1	(46.8)	(2.5)
Other Taxes	2,684.8	16.5	60.7	2.3
Federal Revenues	4,136.5	25.5	274.7	7.1
Other Revenues	1,036.7	6.4	89.3	9.4
Total	$16,235.6	100%	$ 575.5	3.7

Not included in the above table are "Other financing sources," which include resources provided by operating transfers ($610.5 million) from other fund types and component units and capital lease fixed asset acquisitions ($62.9 million). The most significant sources of transfers are from the State Lottery ($490.4 million) and Liquor Purchases Revolving ($63.5 million) Funds.

The growth in personal income tax revenue is related to the growth level in personal income, as the tax rate was unchanged at 4.6%. Personal income taxes shown above are net of significant property tax and other credits. These credits, many of which may be received in amounts exceeding a person's income tax liability, will approximate $970 million for calendar year 1990, as compared to 1989 actual credits of $877. The property tax credit component is growing because of rising property values (and so property taxes) in relation to household income.

The State's sales and use tax rate remained at the 4% rate, with no major changes in tax base during the calendar year.

The single business tax is a value-added type tax that was adopted in 1975 to replace eight previous business taxes. It is somewhat more volatile than the personal income and sales taxes because of profit sensitive features in the statute. It has also been the subject of litigation that has made this revenue source even more volatile. Such litigation has included disputes related to the capital acquisition deduction and multistate operations.

Federal revenue increases are primarily attributable to growth in revenues from the federal Department of Health and Human Services ($235.8 million). Health and welfare programs account for approximately 69% of federal revenues.

Other revenues include local ($161.6 million), services ($102.6 million), licenses and permits ($264.5 million), investment income ($104.1 million), child support recoveries ($153.3 million), and other miscellaneous sources ($250.7 million).

Expenditures (in millions):

Current, Capital Outlay, and Intergovernmental Expenditures by Function (GAAP Basis)	1989-90 Amount	Percent of Total	Change From 1988-89	Percent Change
Current:				
General government	$ 798.8	4.6%	$ 55.9	7.5%
Education	5,002.6	29.0	382.3	8.3
Health and welfare	5,528.6	32.1	485.5	9.6
Public safety & corrections	991.2	5.7	112.1	12.8
Conservation, recreation, & agriculture	361.6	2.1	63.9	21.5
Labor, commerce & regulatory	628.9	3.7	18.6	3.0
Mental health	1,244.3	7.2	80.0	6.9
Transportation	1,090.7	6.3	59.0	5.7
Capital outlay (including highways)	500.6	2.9	(21.3)	(4.1)
Intergovernmental - revenue sharing	1,065.0	6.2	43.9	4.3
Debt service - capital lease payments	41.3	.2	(2.0)	(4.6)
Total Current, Capital Outlay, and Intergovernmental	$17,253.6	100%	$ 1,277.9	8.0

General government expenditures include operations of the legislative and judicial branches and the executive branch functions within the Departments of Management and Budget, Attorney General, Civil Rights, Civil Service, State, and Treasury.

School Aid Fund expenditures for grants to local school districts and for contributions to the Public School Employees' Retirement Fund were $2,992.8 million. General Fund grants to public universities increased $41.9 million (3.8%). Education expenditure increases were partially funded by a special $69.9 million withdrawal from the Countercyclical Budget and Economic Stabilization Fund.

Health and welfare expenditures include operations of the Departments of Social Services and Public Health. Average welfare caseloads grew somewhat during the year, but expenditure increases are primarily attributable to higher costs, largely in the medical care area. Over half of the funding for these programs is from restricted revenue sources, including federal grants.

Corrections expenditures are increasing as new correctional facilities are being opened and capacity increases.

The increase in conservation, recreation, and agriculture expenditures is largely the result of the $800 million environmental and recreational ("Quality of Life") bonding program approved by the voters in 1988. Included in expenditures was Michigan's required one-time contribution to the new multistate Great Lakes Protection Fund. The $25 million will be held as part of the income producing endowment of the organization.

Funding for the State's Mental Health programs has increased steadily in recent years. The trend to emphasize community based programs rather than State managed institutions continues.

Transportation expenditures for other than capital outlay projects increased $22.5 million in the State Trunkline Fund and $4.7 million in the Michigan Transportation Fund.

Capital outlay expenditures primarily reflect State Trunkline Fund highway expenditures which amounted to $424.4 million, compared to $427.2 million last year. Most of the decrease in expenditures was, therefore, the result of decreases in other areas.

General Fund Unreserved Fund Balance:

The General Fund unreserved fund balance deficit of $310.4 million was largely the result of overexpenditures. This was primarily caused by unrealistic budgeting for the level of program benefits provided by the Department of Social Services, which is a practice that will be corrected in future budgets.

General Fund revenues and other financing sources (including restricted sources) totalled $13,004.9 million and expenditures and other uses totalled $13,427.6 million. Fund balance reserves in the General Fund, which include budgetary carry-forwards and reserves for long-term assets and loan programs, decreased from $752.1 million to $700.2 million. Reserves for multi-year appropriations for capital outlay and work projects decreased by $110.8 million as a result of a combination of discontinued programs and increased use of "pay as you go" funding.

Revenue Limits and Spending Requirements: State revenues under the Constitution are limited to a percentage of the State's personal income. The State Constitution requires that spending to local units be maintained at a level of 41.61% of total State spending. The final calculations to determine compliance with these requirements for this fiscal year are not completed until after this report is issued; however, the State is projected to have complied with both requirements.

Proprietary Fund Operations: The State controls the wholesale distribution of alcoholic beverages through the Liquor Purchase Revolving Fund. Profits of $46.7 million and $7.0 million were transferred to the General Fund and the Michigan Housing Development Authority (MSHDA), respectively.

State Lottery Fund gross revenues grew $49.0 million to $1,269.7 million. Net income from lottery operations (after prizes and other costs) transferred to the School Aid Fund increased $5.2 million to $489.1 million.

The State Accident Fund of Michigan provides workers' compensation coverage to many private employers. It ended the fiscal year with total assets of $689.3 million, liabilities and deferred revenues of $673.0 million, and retained earnings of $16.3 million. The Fund showed an operating loss of $62.9 million during the year, largely caused by increases in reserves for future claims.

The State Sponsored Group Insurance Fund, which accounts for the State's self insurance for employee benefit programs, remains appropriately funded. Total assets ($119.2 million) exceed liabilities other than deferred revenues ($94.5 million) by $24.7 million.

Pension Plans: The State Constitution requires the State to provide current funding of plan benefits and statutes provide for the amortization of unfunded prior service costs. In four of the seven plans, the statutes contain an additional safeguard whereby a shortfall in the legally required contributions will be corrected in the second succeeding fiscal year. As a result of these measures, the State's pension systems remain relatively strong and the amount of unfunded obligations is minimized.

The net assets (for valuation purposes) of State pension funds increased by $1.0 billion to $18.9 billion at September 30, 1990. The latest actuarial valuation of the two largest funds, the Public School Employees' Retirement System (PSERS) and the State Employees' Retirement System (SERS), were prepared as of September 30, 1990. The PSERS had net assets (for valuation purposes) of $14,094.3 million versus a pension benefit obligation of $19,431.0 million at September 30, 1990. The SERS had net assets (for valuation purposes) of $4,143.7 million versus a pension benefit obligation of $4,292.8 million at September 30, 1990.

Component Units' Operations: The State Building Authority, which is reflected in the special revenue, capital projects, and debt service fund types, has financed several major university and State building projects. In recent years, the funding of the prison expansion program and the State capitol building restoration have been major activities. Bonds outstanding total $1,083.6 million, with $78.0 million currently available in debt service funds for debt redemption.

The Michigan Unemployment Compensation Fund, which is reported as an expendable trust fund, ended the year with a fund balance of $553.7 million, a decrease of $15.9 million. Revenues during the year were relatively constant at $1,166.5 million while expenditures increased $239.5 million to $1,170.5 million.

The largest proprietary type component units are the Michigan State Housing Development and Hospital Finance Authorities. These authorities, which help finance various housing and hospital financing activities, have bonds payable of $2,026.0 million and $1,690.5 million outstanding, respectively.

The Michigan Education Trust (MET) is designed to provide future tuition at State public colleges and universities. As of September 30, 1990, MET had total assets of $368.5 million, most of which has been invested in corporate bonds and preferred stocks. Because the federal government considers MET to be a taxable entity (a position the State disputes), investments in preferred stocks provide a tax advantage.

The MET's actuarial present value of future tuition benefits payable has been determined to be $343.5 million, which means that MET is actuarily sound if the assumptions used are valid. The key actuarial assumptions are: an investment rate of return of 9.75%; projected tuition increase of 7.3%; and, a 34% income tax rate. Because MET is an innovation, however, there is a greater than usual degree of uncertainty involved with these assumptions.

Debt Management: The State's level of general obligation debt, which had been steadily declining, increased by $82.0 million to $189.3 million. This increase resulted from the $800 million environmental and recreational bond program, authorized by the voters in 1988. The bond proceeds are being used for waste management and toxic waste clean-up, to provide initial funding for the State Water Pollution Control Loan Fund, to make a grant to the multistate Great Lakes Protection Fund, and for financing State park improvements.

The State retains a high credit rating. Michigan's long-term obligations are rated A1 by Moody's and AA by Standard & Poor's. In early 1991, Standard & Poor's placed Michigan on Credit Watch with negative implications.

Revenue dedicated bonded debt, which is primarily transportation related, increased by $128.8 million to $516.8 million during 1989-90, as a result of the issuing of additional State Trunkline Fund bonds.

Cash Management: The State Treasurer maintains the State's common cash pool, which is used by most State funds for short-term investment and to provide centralized control over disbursements. The total amount of pooled cash, which is primarily invested in prime commercial paper, amounted to $2.0 billion at September 30, 1990.

The State's cash flow requirements are greatest in the earlier part of the year. To meet cash flow needs, it is anticipated that the State will sell $500 million in short-term general obligation notes. These notes will mature in early September 1991. In addition, legislation has been introduced which would change the timing of the State's revenues and expenditures, in an effort to improve the cash flow of the State in future years.

Risk Management: The State's risk management division was established within the Department of Management and Budget in 1987 to improve the State's risk control policies and procedures. The division activities include analysis of and control over insurance coverage and risk exposure and the planning and implementing of a statewide safety and health policy and program. All types of risk and insurance coverage are currently under review and State practices will likely change in the future. Currently, however, the State is uninsured for many types of general liability and property losses. Beginning with this fiscal year, an internal service fund was established to account for certain risk management activities.

OTHER INFORMATION

Audits: The principal auditor of the State's reporting entity is the legislative Office of the Auditor General. Their examination was conducted in accordance with generally accepted auditing standards (GAAS), and their opinion precedes the General Purpose Financial Statements. The accounting firm of Deloitte & Touche has reviewed the General Purpose Financial Statements in accordance with standards established by the American Institute of Certified Public Accountants and their review letter also precedes these statements.

In addition to the annual audit of the State's General Purpose Financial Statements, the Office of the Auditor General performs periodic financial and expanded scope audits of the various State agencies. Outside accounting firms are also frequently used, particularly for the audits of separately issued component unit financial statements, such as those for the major financing authorities and the Michigan Unemployment Compensation Fund. The Auditor General, as the State's principal auditor, also has primary responsibility for federal Single Audit Act coverage and this work is generally reported at the department or authority level.

Certificate of Achievement: The Government Finance Officers Association of the United States and Canada (GFOA) again awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Michigan for its Comprehensive Annual Financial Report for the year ended September 30, 1989. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement Program requirements and we are submitting it to the GFOA for their consideration for another certificate.

Acknowledgements: I wish to express my appreciation to the many people whose dedicated efforts made possible the preparation of this report. I believe their combined efforts have produced a report that will enable government decision makers and concerned citizens to better understand and evaluate the State's financial condition.

Very truly yours,

Patricia A. Woodworth

Patricia A. Woodworth
Director

March 13, 1991

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 1989

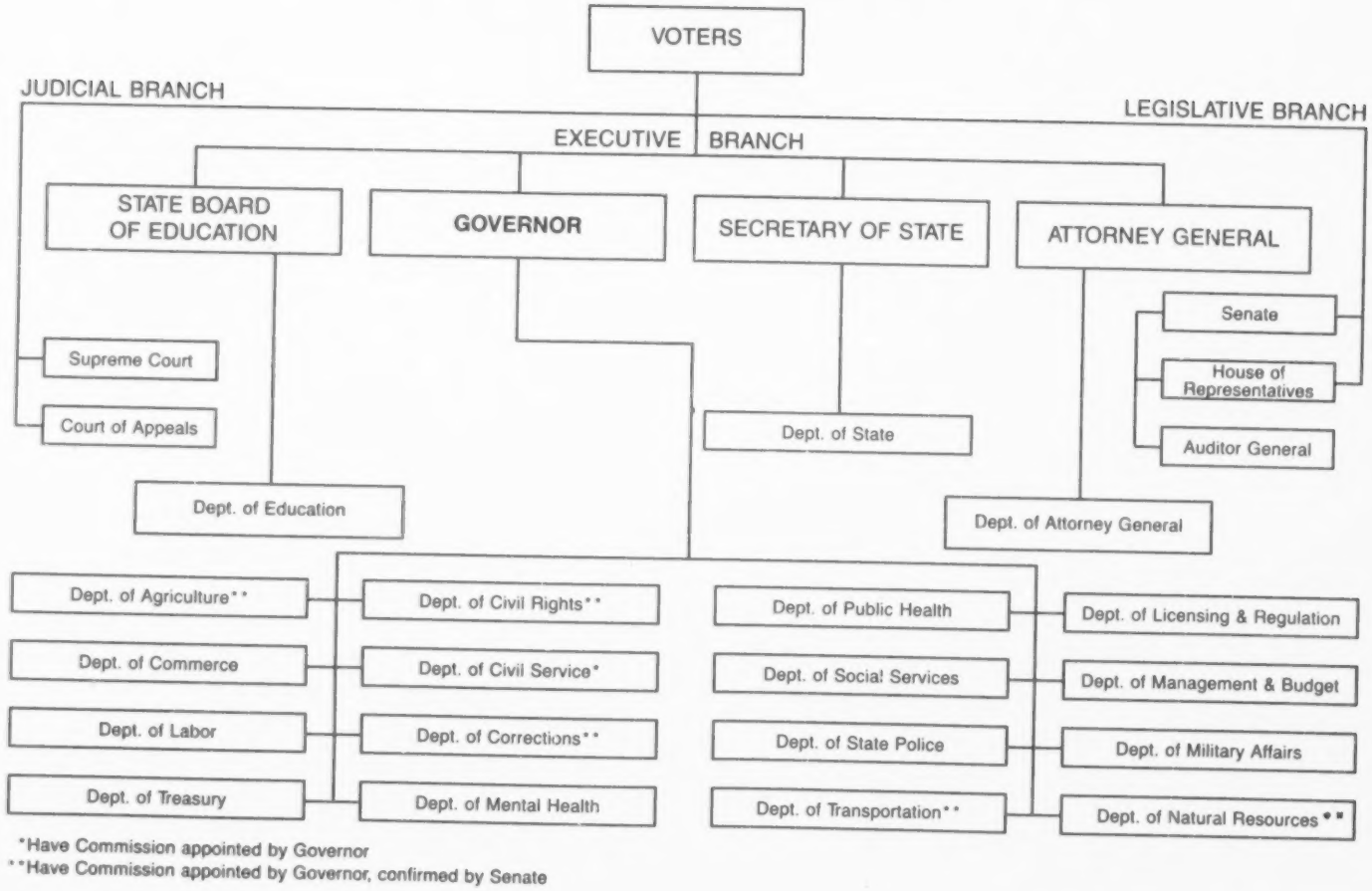
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFR's) achieve the highest standards in government accounting and financial reporting.

Gary R. Houchens
President

Jeffrey L. Esser
Executive Director

STATE OF MICHIGAN

Organizational Structure



*Have Commission appointed by Governor

**Have Commission appointed by Governor, confirmed by Senate

STATE OF MICHIGAN

PRINCIPAL STATE OFFICIALS

JUDICIAL BRANCH

Supreme Court Justices
Honorable Michael F. Cavanagh, Chief Justice
Honorable Charles L. Levin, Associate Justice
Honorable James H. Brickley, Associate Justice
Honorable Patricia J. Boyle, Associate Justice
Honorable Dorothy Comstock Riley, Associate Justice
Honorable Robert P. Griffin, Associate Justice
Honorable Conrad L. Mallett, Jr., Associate Justice

LEGISLATIVE BRANCH

Honorable Connie Binsfeld
President of the Senate

Honorable Lewis N. Dodak
Speaker of the House of Representatives

Thomas H. McTavish
Legislative Auditor General

EXECUTIVE BRANCH

Honorable John Engler, Governor

Honorable Frank J. Kelley, Attorney General

Honorable Richard H. Austin, Secretary of State

State Board of Education
- Honorable John Engler (Ex Officio)
- Honorable Dorothy Beardmore
- Honorable Dick DeVos
- Honorable Barbara Dumouchelle
- Honorable Cherry H. Jacobus
- Honorable Marilyn F. Lundy
- Honorable Barbara Roberts Mason
- Honorable Annetta Miller
- Honorable Gumecindo Salas

Gary D. Hawks, Acting Superintendent of Public Instruction

Michigan Commission of Agriculture
- David Crumbaugh
- Donald W. Nugent
- Rita M. Reid
- John A. Spero
- Jordan B. Tatter

Bill Schuette, Director, Department of Agriculture

Civil Rights Commission
- Sondra Lynn Berlin
- Beverly Clark
- Eva Evans
- Dorothy Haener
- Michael C. Hidalgo
- Rev. William Holly
- Benny N. Napoleon
- Philip Van Dam

John Roy Castillo, Director, Dept. of Civil Rights

Civil Service Commission
- Laurence B. Deitch
- Peter Ellsworth
- Walter R. Greene
- Patricia B. Johnson

Martha Bibbs, Director, Dept. of Civil Service

Arthur E. Ellis, Director, Department of Commerce

Corrections Commission
- James H. Lincoln
- Richard McLellan
- David Porteous
- Kurtis Wilder
- Dana Wilson

Robert Brown, Jr., Director, Department of Corrections

Lowell W. Perry, Director, Department of Labor

Kathleen M. Wilbur, Director, Department of Licensing and Regulation

Patricia A. Woodworth, Director, Department of Management and Budget

James K. Haveman, Jr., Director
Department of Mental Health

Major General E. Gordon Stump, Director
Department of Military Affairs

Natural Resources Commission
- Thomas J. Anderson
- Marlene J. Fluharty
- Gordon E. Guyer
- Vacant
- Vacant
- O. Stewart Myers
- Raymond Poupore

David F. Hales, Director, Department of Natural Resources

Vernice Davis Anthony, Director
Department of Public Health

Gerald H. Miller, Director, Department of Social Services

Col. Michael D. Robinson, Director
Department of State Police

Transportation Commission
- Barton LaBelle
- William C. Marshall
- Hannes Meyers, Jr.
- Irving Rubin
- Richard White
- Charles Yob

Patrick M. Nowak, Director
Department of Transportation

Douglas B. Roberts, State Treasurer

STATE OF MICHIGAN
OFFICE OF THE AUDITOR GENERAL
201 N. WASHINGTON SQUARE
LANSING, MICHIGAN 48913
(517) 334-8050
FAX (517) 334-8079

THOMAS H. MCTAVISH, C.P.A.
AUDITOR GENERAL

Independent Auditor's Report

The Honorable John M. Engler, Governor
Members of the Legislature

March 13, 1991

We have audited the accompanying general purpose financial statements of the State of Michigan, principally as of September 30, 1990 and for the year then ended, listed in the foregoing table of contents. These general purpose financial statements are the responsibility of the State's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of certain component units, the Michigan Employment Security Act - Administration Fund, the State Park Revenue Bond Fund, the State Lottery Fund, the Low-Level Radioactive Waste Authority, the Accident Fund of Michigan, the Michigan Employment Security Act Contingent Fund, the State Employees' Retirement Fund, the Public School Employees' Retirement Fund, and the Municipal Employees' Retirement Fund, which are more fully described in Notes 1, 2, and 25. Those financial statements reflect total assets and revenues constituting 3% and 4% of the assets and revenues, respectively, of the special revenue funds; 64% and 80% of the assets and revenues, respectively, of the debt service funds; 80% and 80% of the assets and revenues, respectively, of the capital projects funds; 93% and 81% of the assets and operating revenues, respectively, of the enterprise funds; 80% and 84% of the assets and revenues, respectively, of the expendable trust funds; 97% and 97% of the assets and revenues, respectively, of the pension trust funds; 1% of the assets of the general fixed assets account group; and 40% of the liabilities of the general long-term obligations account group. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for these component units and funds, is based solely upon the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe our audit and the reports of other auditors provide a reasonable basis for our opinion.

STATE OF MICHIGAN
OFFICE OF THE AUDITOR GENERAL

THOMAS H. MCTAVISH, C.P.A.
AUDITOR GENERAL

In our opinion, based on our audit and the reports of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the State of Michigan principally as of September 30, 1990 and the results of its operations and the changes in financial position of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

As described in Note 4, the State changed its method of accounting to report: the future tuition benefit obligations of the Michigan Education Trust Fund at the actuarially determined value; the addition of the Accident Fund of Michigan as an enterprise fund; and capital appreciation bonds included in the general long-term obligations account group at accreted value.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining financial statements and schedules listed in the foregoing table of contents, which are also the responsibility of the State's management, are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the State of Michigan. This information has been subjected to the auditing procedures applied in our audit of the general purpose financial statements and, in our opinion, based on our audit and the reports of other auditors, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

The introductory section and statistical sections listed in the table of contents were not audited by us and, accordingly, we express no opinion on them.

Sincerely,

Thomas H. McTavish

Thomas H. McTavish, C.P.A.
Auditor General

Deloitte & Touche

200 Renaissance Center - 16th Floor
Detroit, MI 48243-1274

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Mr. Thomas H. McTavish, C.P.A.
Auditor General
State of Michigan
Lansing, Michigan

March 13, 1991

We have reviewed the general purpose financial statements of the State of Michigan principally as of September 30, 1990 and for the year then ended, listed in the foregoing table of contents, in accordance with standards established by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of the State of Michigan.

A review consists principally of inquiries of State personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

Our review was made for the purpose of expressing the limited assurance described in the preceding paragraph concerning the financial statements taken as a whole. Our review also comprehended the supplemental financial data listed in the foregoing table of contents which is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. All such supplemental financial data is also the representation of the management of the State of Michigan. Based on our review, we are not aware of any material modifications that should be made to the supplemental financial data in order for such data, when considered in relation to the general purpose financial statements, to be in conformity with generally accepted accounting principles. The introductory and statistical data listed in the foregoing table of contents was not reviewed by us; accordingly, we do not express an opinion or any other form of assurance on it.

Yours truly,

Deloitte + Touche

THIS PAGE INTENTIONALLY BLANK

STATE OF MICHIGAN
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
SEPTEMBER 30, 1990
(In Thousands)

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 7,133	$ 3,404	$ 1,413	$ -
Equity in Common Cash (Note 5)	25,189	1,171,011	6,574	5,275
Taxes, interest, and penalties receivable (Note 6)	1,113,361	212,532	-	-
Amounts due from other funds (Note 20)	428,944	40,929	1,875	-
Amounts due from federal agencies	522,015	82,971	-	104
Amounts due from local units	187,408	34,737	-	-
Inventories	29,580	14,281	-	-
Investments (Note 9)	-	52,136	168,986	20,970
Other current assets	157,002	18,941	3,773	21
Total Current Assets	2,470,636	1,630,946	182,622	26,371
Taxes, interest, and penalties receivable (Note 6)	60,963	7,295	-	-
Advances to other funds (Note 20)	16,462	1,620	-	-
Amounts due from federal agencies	22,644	-	-	-
Amounts due from local units	32,120	114,167	129,715	-
Mortgages and loans receivable (Note 10)	-	-	-	-
Investments (Note 9)	-	33,497	63,560	-
Property, plant and equipment (Note 11)	-	-	-	-
Other noncurrent assets	13,463	8,762	376	-
Amount available for retirement of bonds	-	-	-	-
Amount to be provided for bond retirement	-	-	-	-
Amounts to be provided for other long-term obligations (Note 15)	-	-	-	-
Total Assets	$ 2,616,290	$ 1,796,290	$ 376,274	$ 26,371
LIABILITIES AND FUND EQUITY				
Current Liabilities:				
Warrants outstanding	$ 176,387	$ 23,633	$ -	$ 1,220
Accounts payable and other liabilities	1,092,474	265,022	2,163	26,555
Income tax refunds payable (Note 7)	853,857	-	-	-
Amounts due to other funds (Note 20)	12,862	236,510	148	236,362
Bonds and notes payable (Note 18)	-	-	-	-
Interest payable	-	-	-	-
Deferred revenue	10,633	12,353	-	-
Total Current Liabilities	2,146,215	537,520	2,311	264,137
Long-Term Liabilities:				
Advances from other funds (Note 20)	-	-	-	-
Advances from federal agencies (Note 17)	-	-	-	-
Prize awards payable (Note 18)	-	-	-	-
Deferred revenue	80,224	15,530	51,763	-
Bonds and notes payable (Notes 15 and 18)	-	-	-	-
Other long-term liabilities (Notes 15, 18, and 19)	-	1,055	-	-
Total Liabilities	2,226,440	554,105	54,074	264,137
Fund Equity and Other Credits:				
Investment in general fixed assets	-	-	-	-
Contributed capital (Note 22)	-	-	-	-
Net unrealized gains (losses) on investments	-	-	-	-
Reserved retained earnings (Note 23)	-	-	-	-
Unreserved retained earnings (Note 23)	-	-	-	-
Reserved fund balance (Note 24)	700,212	566,924	78,738	9,489
Unreserved fund balance (deficit) (Note 24)	(310,361)	675,259	243,461	(247,255)
Total Fund Equity	389,850	1,242,184	322,200	(237,766)
Total Liabilities and Fund Equity	$ 2,616,290	$ 1,796,290	$ 376,274	$ 26,371

The accompanying notes are an integral part of the financial statements.

PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES	ACCOUNT GROUPS		
ENTERPRISE	INTERNAL SERVICE	TRUST AND AGENCY	GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATIONS	TOTALS (MEMORANDUM ONLY)
$ 23,871	$ 1,011	$ 7,107	$ -	$ -	$ 43,942
209,879	60,736	532,430	-	-	2,011,098
-	-	127,739	-	-	1,453,632
6,555	41,788	16,911	-	-	537,005
7,262	366	19,605	-	-	632,324
-	207	73,503	-	-	295,857
31,920	22,074	-	-	-	97,856
977,804	-	3,752,943	-	-	4,972,840
198,564	1,854	216,855	-	-	597,014
1,455,858	128,040	4,747,096	-	-	10,641,572
-	-	-	-	-	68,259
89,011	-	-	-	-	107,094
-	-	-	-	-	22,644
-	4,535	5,761	-	-	286,300
3,143,261	-	-	-	-	3,143,261
1,740,080	-	17,955,287	-	-	19,792,426
59,032	97,281	19	2,454,413	-	2,610,746
22,362	42,478	496,800	-	-	584,244
-	-	-	-	243,461	243,461
-	-	-	-	1,546,026	1,546,026
-	-	-	-	1,070,706	1,070,706
$ 6,509,607	$ 272,335	$23,204,966	$ 2,454,413	$ 2,860,194	$40,116,744
$ 4,623	$ 1,004	$ 22,748	$ -	$ -	$ 229,617
325,941	71,166	316,988	-	-	2,101,311
-	-	-	-	-	853,857
9,068	23,100	14,717	-	-	532,770
96,403	98	-	-	-	96,501
83,292	-	-	-	-	83,292
105,741	15,980	21,145	-	-	165,854
626,070	111,350	375,600	-	-	4,063,205
5,266	16,401	88,091	-	-	109,759
-	-	417,510	-	-	417,510
558,409	-	-	-	-	558,409
318	256	220	-	-	148,313
3,843,181	207	-	-	1,789,487	5,632,876
1,004,177	45,113	2,340,229	-	1,070,706	4,461,281
6,037,422	173,329	3,221,650	-	2,860,194	15,391,355
-	-	-	2,454,413	-	2,454,413
7,209	33,237	-	-	-	40,447
(4,078)	-	-	-	-	(4,078)
180,530	-	-	-	-	180,530
288,522	65,767	-	-	-	354,290
-	-	19,157,689	-	-	20,513,053
-	-	825,625	-	-	1,186,730
472,184	99,005	19,983,315	2,454,413	-	24,725,388
$ 6,509,607	$ 272,335	$23,204,966	$ 2,454,413	$ 2,860,194	$40,116,744

STATE OF MICHIGAN

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 1990

(In Thousands)

	GOVERNMENTAL FUND TYPES		
	GENERAL	SPECIAL REVENUE	DEBT SERVICE
REVENUES			
Taxes	$ 8,214,275	$ 2,848,125	$ -
From federal agencies	3,653,906	482,551	-
From local agencies	126,977	34,597	-
From services	101,575	1,028	-
From licenses and permits	134,854	135,940	7,375
Miscellaneous	340,359	172,091	21,798
Total Revenues	12,571,947	3,674,333	29,174
EXPENDITURES			
Current:			
General government	793,200	5,610	284
Education	1,955,097	3,103,251	-
Health and welfare	5,528,554	-	-
Public safety and corrections	991,238	-	-
Conservation, recreation, and agriculture	318,344	43,369	-
Labor, commerce, and regulatory	504,633	124,269	-
Mental health	1,244,269	-	-
Transportation	-	1,095,248	-
Capital outlay	37,762	462,843	-
Intergovernmental - revenue sharing	1,064,969	-	-
Debt service:			
Bond principal retirement	-	-	102,975
Bond interest and fiscal charges	-	-	106,622
Capital lease payments (Note 16)	39,345	1,985	-
Total Expenditures	12,477,416	4,836,578	209,881
Excess of Revenues over (under) Expenditures	94,531	(1,162,244)	(180,706)
OTHER FINANCING SOURCES (USES)			
Proceeds from bond and bond anticipation note issues	-	365,255	-
Proceeds from refunding bond issue	-	-	9,200
Payment to refunded bond escrow agent	-	-	(9,200)
Capital lease acquisitions	61,877	1,027	-
Operating transfers in	371,120	1,856,163	217,353
Operating transfers out	(950,148)	(926,114)	(11,200)
Total Other Financing Sources (Uses)	(517,149)	1,296,332	206,152
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(422,618)	134,088	25,445
Fund Balances - Beginning of fiscal year - as previously reported	813,127	1,128,519	296,746
Effect of accounting changes (Note 4)	-	-	-
Fund Balances - Beginning of fiscal year - restated	813,127	1,128,519	296,746
Equity transfers from other funds (Note 22)	-	7	7
Equity transfers to other funds (Note 22)	(658)	(20,429)	-
Fund Balances - End of fiscal year	$ 389,850	$ 1,242,184	$ 322,200

The accompanying notes are an integral part of the financial statements.

GOVERNMENTAL FUND TYPE	FIDUCIARY FUND TYPES	
CAPITAL PROJECTS	EXPENDABLE TRUST	TOTALS (MEMORANDUM ONLY)
$ -	$ 1,074,626	$12,137,026
104	95,063	4,231,625
-	14,409	175,983
-	-	102,604
-	-	278,170
3,197	207,353	744,800
3,302	1,391,452	17,670,210
-	45,229	844,325
-	-	5,058,348
-	310	5,528,864
-	-	991,238
159	-	361,872
-	1,201,947	1,830,850
-	4,938	1,249,208
-	82,946	1,178,194
180,464	-	681,071
-	-	1,064,969
-	-	102,975
-	-	106,622
-	-	41,331
180,623	1,335,372	19,039,872
(177,321)	56,079	(1,369,662)
8,500	-	373,755
-	-	9,200
-	-	(9,200)
-	-	62,904
27,241	3,810	2,475,689
(13,117)	(40,588)	(1,941,168)
22,623	(36,777)	971,182
(154,697)	19,301	(398,480)
(83,068)	1,259,970	3,415,295
-	(459,330)	(459,330)
(83,068)	800,640	2,955,965
-	5,683	5,698
-	-	(21,088)
$ (237,766)	$ 825,625	$ 2,542,094

STATE OF MICHIGAN
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL AND SPECIAL REVENUE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 1990
(In Thousands)

Statutory/Budgetary Basis	GENERAL FUND BUDGET	GENERAL FUND ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES AND OTHER SOURCES			
Taxes	$ 8,432,077	$ 8,214,275	$ (217,802)
From federal agencies	3,688,702	3,653,906	(34,795)
From local agencies	111,919	126,977	15,057
From services	100,787	101,575	788
From licenses and permits	134,854	134,854	–
Miscellaneous	309,312	340,359	31,046
Operating transfers in	372,118	370,678	(1,439)
Total Revenues and Other Sources	13,149,771	12,942,626	(207,145)
EXPENDITURES, OPERATING TRANSFERS OUT, AND ENCUMBRANCES – BY DEPARTMENT			
Legislative	118,256	116,509	1,746
Judicial	154,516	154,403	112
Executive Office	4,072	3,943	129
Management and Budget	1,366,641	1,329,710	36,930
Attorney General	31,629	31,488	141
Civil Rights	12,313	12,256	57
Civil Service	23,248	22,051	1,197
State	122,013	118,303	3,709
Treasury	237,490	228,858	8,632
Education	1,375,602	1,373,145	2,456
Grants to Colleges and Universities	1,343,234	1,343,101	133
Public Health	406,327	407,327	(1,000)
Mental Health	1,232,188	1,260,761	(28,572)
Social Services	4,888,529	5,128,104	(239,574)
Corrections	772,721	774,172	(1,451)
Military Affairs	32,852	30,849	2,002
State Police	234,042	228,782	5,260
Transportation	–	–	–
Commerce	216,737	210,769	5,968
Labor	327,473	315,036	12,437
Licensing and Regulation	25,531	24,891	640
Natural Resources	292,498	279,534	12,963
Agriculture	68,475	66,210	2,265
Total Expenditures, Operating Transfers Out, and Encumbrances	13,286,399	13,460,214	(173,814)
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	$ (136,628)	(517,588)	$ (380,960)
Reconciling Items (Note 3):			
Encumbrances at September 30		94,970	
Funds not annually budgeted		–	
Net Reconciling Items		94,970	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		(422,618)	
FUND BALANCES (GAAP BASIS)			
Beginning balances		813,127	
Equity transfers from other funds		–	
Equity transfers to other funds		(658)	
Ending balances (GAAP Basis)		$ 389,850	

The accompanying notes are an integral part of the financial statements.

SPECIAL REVENUE FUNDS			TOTALS (MEMORANDUM ONLY)		
BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
$ 2,846,801	$ 2,848,125	$ 1,324	$11,278,878	$11,062,400	$ (216,478)
481,483	482,551	1,067	4,170,186	4,136,457	(33,728)
31,673	34,268	2,595	143,592	161,245	17,653
975	975	-	101,762	102,550	788
121,459	129,599	8,140	256,314	264,453	8,139
146,310	146,875	564	455,622	487,234	31,611
1,752,704	1,792,084	39,380	2,124,822	2,162,762	37,940
5,381,406	5,434,478	53,071	18,531,178	18,377,104	(154,073)
-	-	-	118,256	116,509	1,746
-	-	-	154,516	154,403	112
-	-	-	4,072	3,943	129
82,519	79,582	2,937	1,449,160	1,409,293	39,867
-	-	-	31,629	31,488	141
-	-	-	12,313	12,256	57
-	-	-	23,248	22,051	1,197
-	-	-	122,013	118,303	3,709
-	-	-	237,490	228,858	8,632
2,992,816	2,992,824	(8)	4,368,418	4,365,970	2,447
-	-	-	1,343,234	1,343,101	133
-	-	-	406,327	407,327	(1,000)
-	-	-	1,232,188	1,260,761	(28,572)
-	-	-	4,888,529	5,128,104	(239,574)
-	-	-	772,721	774,172	(1,451)
-	-	-	32,852	30,849	2,002
-	-	-	234,042	228,782	5,260
2,267,153	2,230,723	36,430	2,267,153	2,230,723	36,430
-	-	-	216,737	210,769	5,968
139,979	139,788	191	467,453	454,824	12,628
772	501	270	26,303	25,393	910
106,679	104,372	2,307	399,178	383,907	15,270
-	-	-	68,475	66,210	2,265
5,589,920	5,547,792	42,127	18,876,320	19,008,007	(131,686)
$ (208,513)	(113,314)	$ 95,199	$ (345,142)	(630,902)	$ (285,760)
	58,334			153,304	
	189,067			189,067	
	247,402			342,372	
	134,088			(288,530)	
	1,128,519			1,941,646	
	7			7	
	(20,429)			(21,088)	
	$ 1,242,184			$ 1,632,035	

STATE OF MICHIGAN
COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS AND FUND BALANCES
PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 1990
(In Thousands)

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPE	
	ENTERPRISE	INTERNAL SERVICE	PENSION TRUST FUNDS	TOTALS (MEMORANDUM ONLY)
OPERATING REVENUES:				
Operating revenues	$ 1,855,823	$ 524,798	$ -	$ 2,380,621
Contributions from members and employers (Note 12)	-	-	1,068,591	1,068,591
Interest income	320,577	-		320,577
Investment revenue (net)	175,917	-	1,524,085	1,700,003
Miscellaneous	34,984	-	7,066	42,051
Total Operating Revenues	2,387,302	524,798	2,599,744	5,511,845
OPERATING EXPENSES:				
Salaries, wages, and other administrative	238,625	72,894	11,784	323,304
Interest expense	315,963	-	-	315,963
Depreciation	5,342	18,267	2	23,612
Purchases for resale	336,712	29,754	-	366,467
Purchases for prison industries	-	11,750	-	11,750
Lottery prize awards	588,313	-	-	588,313
Premiums and claims	269,658	386,770	-	656,428
Benefits, insurance, and refunds	-	-	1,158,440	1,158,440
Other operating expenses	106,258	-	-	106,258
Total Operating Expenses	1,860,875	519,438	1,170,227	3,550,540
Operating Income (Loss)	526,427	5,360	1,429,517	1,961,304
NONOPERATING REVENUES (EXPENSES):				
Specific tax on spirits	7,409	-	-	7,409
Federal grant revenue	34,383	395	-	34,778
Interest revenue	219	-	-	219
Other nonoperating revenues	667	566	-	1,233
Grant expense	(49,176)	-	-	(49,176)
Interest expense	(787)	-	-	(787)
Development stage expenses	(4,580)	-	-	(4,580)
Other nonoperating expenses	(10,189)	(1,321)	-	(11,510)
Total Nonoperating Revenues (Expenses)	(22,055)	(359)	-	(22,414)
Income (Loss) Before Operating Transfers	504,372	5,000	1,429,517	1,938,890
OPERATING TRANSFERS:				
Operating transfers in	32,713	12	40	32,766
Operating transfers out	(561,107)	(2,388)	(5,491)	(568,987)
Total Operating Transfers In (Out)	(528,394)	(2,375)	(5,451)	(536,221)
Net Income (Loss)	(24,021)	2,624	1,424,066	1,402,669
Retained Earnings and Fund Balances - Beginning of fiscal year - as previously reported	425,933	63,142	17,733,623	18,222,699
Effect of accounting change (Note 4)	72,825	-	-	72,825
Retained Earnings and Fund Balances - Beginning of fiscal year - restated	498,758	63,142	17,733,623	18,295,524
Equity transfers to other funds	(5,683)	-	-	(5,683)
Retained Earnings and Fund Balances - End of fiscal year	$ 469,053	$ 65,767	$19,157,689	$19,692,510

The accompanying notes are an integral part of the financial statements.

STATE OF MICHIGAN
COMBINED STATEMENT OF CHANGES IN FINANCIAL POSITION
PROPRIETARY FUND TYPES
FISCAL YEAR ENDED SEPTEMBER 30, 1990
(In Thousands)

	ENTERPRISE	INTERNAL SERVICE	TOTALS (MEMORANDUM ONLY)
SOURCES OF FUNDS:			
From operations:			
Net income (loss)	$ (24,021)	$ 2,624	$ (21,396)
Items not requiring (providing) working capital:			
Depreciation	5,342	18,267	23,610
Compensated absences - long-term portion	833	265	1,098
Change in long-term prize awards	114,555	-	114,555
Disability claims - long-term portion	-	3,478	3,478
Provision for losses on loans	1,751	-	1,751
Change in net unrealized gain (loss) on investments	(7,998)	-	(7,998)
Amortization of deferred items (net)	16,487	(115)	16,372
Accrued arbitrage rebate	1,000	-	1,000
Loss (gain) on disposal of fixed assets	107	492	599
Working Capital Provided (Used) from Operations	108,056	25,014	133,070
From other sources:			
Proceeds from bonds and notes sold	532,844	-	532,844
Principal repayments on loans	246,661	-	246,661
Increase in long-term deferred revenues	22	-	22
Sale of fixed assets	72	3,894	3,966
Decrease in noncurrent investments (net)	155,198	-	155,198
Decrease in advances to other funds and other noncurrent assets	-	30,533	30,533
Increase in long-term lease obligations	2,913	413	3,326
Increase in advances from other funds and other long-term liabilities	208,812	5,386	214,199
Contributed capital additions	1,434	23,419	24,853
Total Sources (Uses) of Funds	$ 1,256,016	$ 88,661	$ 1,344,677
APPLICATION OF FUNDS:			
Increase in advances to other funds	$ 84,754	$ -	$ 84,754
Decrease in advances from other funds	-	30,477	30,477
Increase in noncurrent investments (net)	552,864	4,555	557,420
Loans issued/purchased	470,202	-	470,202
Decrease in long-term bonds and notes payable	252,796	98	252,895
Decrease in long-term prize awards payable	60,017	-	60,017
Increase in other noncurrent assets	6,266	-	6,266
Additions to fixed assets	9,755	18,559	28,314
Decrease in long-term deferred revenues	38	-	38
Equity transfers to other funds	5,683	-	5,683
Net increase (decrease) in working capital	(186,364)	34,970	(151,394)
Total Application of Funds	$ 1,256,016	$ 88,661	$ 1,344,677
ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL:			
Cash and cash equivalents	$ 5,973	$ (189)	$ 5,784
Equity in/Liability to Common Cash	14,132	9,544	23,677
Amounts due from other funds	4,715	31,611	36,326
Amounts due from federal agencies	(2,189)	344	(1,845)
Amounts due from local units	-	(105)	(105)
Inventories	(4,784)	2,196	(2,587)
Investments	(204,695)	-	(204,695)
Other current assets	18,461	89	18,551
Warrants outstanding	(1,633)	(109)	(1,743)
Accounts payable and other liabilities	(18,270)	(2,248)	(20,518)
Amounts due to other funds	(6,312)	(17,299)	(23,612)
Bonds and notes payable - current	21,625	153	21,779
Interest payable	504	-	504
Deferred revenue	(13,891)	10,982	(2,909)
Net Increase (Decrease) in Working Capital	$ (186,364)	$ 34,970	$ (151,394)

The accompanying notes are an integral part of the financial statements.

THIS PAGE INTENTIONALLY BLANK

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the State conform in all material respects to generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies:

A. Reporting Entity

The Governmental Accounting Standards Board (GASB) establishes the criteria used in determining which organizations should be included in these financial statements. The criteria require the inclusion of the financial transactions of all government organizations for which the State has the ability to exercise significant oversight responsibility.

The extent of oversight responsibility is based upon several criteria including: selection of governing authority, designation of management, the ability of the State to significantly influence operations, financial interdependency and accountability for fiscal matters including the level of State financing and/or moral or legal responsibility for the long-term debt of the organizations. Based upon these criteria, this report includes information on several component unit organizations that are not accounted for as funds in the State's central accounting system. These organizations are:

State Building Authority
Michigan Higher Education Facilities Authority
Michigan Family Farm Development Authority
Mackinac Bridge Authority
Michigan Unemployment Compensation Fund
Michigan Education Trust
Michigan State Hospital Finance Authority
Michigan Higher Education Student Loan Authority
Michigan Higher Education Assistance Authority
Mackinac Island State Park Commission
Michigan Strategic Fund
Michigan State Housing Development Authority

In addition to the component units listed above, there are certain organizations with varying degrees of autonomy which are not separate funds but which are recorded in accounts within a State fund, usually the General Fund. Among these organizations are: the Michigan Municipal Bond Authority, which is described more fully in Note #15; the Michigan Export Development Authority within the Department of Agriculture; the Automobile Theft Prevention Authority within the Department of State Police; and, various elements of the State court system.

The court system components which are considered part of the State entity include: the Michigan Supreme Court, the Michigan Court of Appeals, the Court of Claims, the 36th District Court, and the Wayne County Circuit Court. The financial transactions of these courts are included in the General Fund. Other circuit courts, district courts, and probate courts are considered local units of government and have been excluded from these statements.

In prior fiscal years, the Accident Fund of Michigan (AFOM) was excluded from these statements because legal action prevented the State from exercising oversight. Such legal action has been resolved in the State's favor and the AFOM is now considered a State enterprise fund. The effects of this change on the State's report are described in more detail in Note #4.

A complete listing of State funds and component units is provided in Note #2.

As more fully described in the following paragraphs, certain organizations were evaluated for possible inclusion as component units, but it was determined that they should not be considered part of the State reporting entity because they do not meet the criteria for inclusion.

Public institutions of higher education have been excluded from these statements. Community colleges are excluded because they are local units of government. Other public institutions of higher education have been excluded based upon an application of the manifestations of oversight criteria of the GASB. By State Constitution, law, and practice such institutions have been made autonomous and the degree of State oversight is so remote that it is deemed most appropriate not to reflect them as part of the entity.

The following summarizes the evaluation of the manifestations of oversight for the public institutions of higher education: (a) the three largest institutions' governing boards are selected by the electorate and State officials do not maintain significant continuing relationships with the other institutions' boards; (b) the institutions' employees are not part of the State's classified civil service; (c) management is not appointed by the State; (d) the State does not establish or control the budgets; (e) the State is not responsible for debts or deficits; (f) assets are held in the name of the institutions; (g) each institution maintains its own accounting records, investments, and bank accounts; (h) each issues its own financial statements which are audited by outside accounting firms selected by the institution; (i) the institutions have significant non-state revenues.

Note 1 continued on next page.

The State grants to the public institutions of higher education are generally unrestricted. Each institution determines how the money is used, although in some cases the State makes grants for specific programs or construction projects. In the operating statements, these grants are classified as "Education" expenditures of the funds making grants.

Joint ventures in which the State of Michigan participates include the International Bridge Authority of Michigan and the Great Lakes Protection Fund. Joint ventures are not reflected as funds within this report, but summarized financial information is disclosed in Note #8.

B. Basis of Presentation

With the exception of amounts related to component unit statements and portions of the Accident Fund of Michigan, the financial statements are based upon financial transactions of the State as they are recorded in individual funds in the State's central accounting system. The amounts presented for component units and the Accident Fund of Michigan are based upon audited financial statements and schedules issued by the units. As more fully explained in Note #2, the various funds and units are combined into the various fund types described below:

GOVERNMENTAL FUND TYPES

General Fund: The General Fund is the State's primary operating fund. It is used to account for general purpose financial resources and those restricted revenues which are not required to be accounted for in separate funds.

Special Revenue Funds: This fund group includes operating fund and component unit activities which account for the proceeds of certain specific revenue sources that are legally restricted for specified purposes.

Capital Projects Funds: Funds and component units which account for the acquisition or construction of major State capital facilities financed by bond proceeds are reported in this fund group.

Debt Service Funds: This group accounts for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

PROPRIETARY FUND TYPES

Enterprise Funds: This fund group includes funds and component units whose operations and finances are accounted for in a manner similar to private business enterprises. For this group, it is the intent of the State that: (a) the costs (i.e., expenses, including depreciation) of providing goods or services to the general public be financed primarily by user charges; or (b) "net income" be periodically determined and used as appropriate for capital maintenance, management control, or determination of amounts to be transferred to other operating funds as required by statute.

Internal Service Funds: This group is similar to enterprise funds except that the goods or services are provided primarily to other agencies or funds of the State, rather than to the general public.

FIDUCIARY FUND TYPES

Trust and Agency Funds: This group includes assets held by the State on behalf of outside parties, including other governments, or on behalf of other State funds. The group is subdivided into three subtypes: (a) pension funds, which are accounted for in a manner similar to proprietary funds; (b) expendable trust funds, which are accounted for in a manner similar to governmental funds; and (c) agency funds, where the State's responsibility is purely custodial in nature and for which asset and liability balances, but not operating results, are included in the general purpose financial statements.

ACCOUNT GROUPS

General Fixed Assets Group: This group of accounts is used to account for fixed assets (i.e., land, buildings, and equipment) owned by the State, except for assets of proprietary fund types which are recorded directly in those funds.

General Long-Term Obligations Group: This group accounts for all of the long-term obligations of the State, except for those accounted for directly in a fund.

Note 1 continued on next page.

TOTALS (MEMORANDUM ONLY)

Amounts in the "TOTALS - (MEMORANDUM ONLY)" columns represent summations of the fund types and account groups and are presented only for analytical purposes. The summations include fund types and account groups that use different bases of accounting, interfund transactions that have not been eliminated, and the caption "amounts to be provided," which is not an asset in the usual sense. Consequently, amounts shown in the "TOTALS - (MEMORANDUM ONLY)" columns are not comparable to a consolidation.

C. Basis of Accounting

The governmental fund types, expendable trust funds, and agency funds are accounted for on the modified accrual basis of accounting. There are some departures from the modified accrual basis for statutory/budgetary purposes that have no affect on the fund balance sheets. The nature of these departures is such that they only affect how operating results are reported. This is further explained in Note #3.

The modified accrual basis emphasizes the measurement of current financial resources and obligations (i.e., "financial flow" focus). Therefore, fund revenues and other financing sources are recorded when financial resources become "measurable and available" to finance expenditures of the current period; expenditures are recorded when fund liabilities are incurred, except for principal and interest on general long-term obligations.

The proprietary fund types and the pension trust funds use the accrual basis of accounting. The accrual basis emphasizes the measurement of "net income," (i.e., "capital maintenance" focus). Using this basis, revenues are recognized when "earned" and expenses are recognized when "incurred." All financial resources and obligations of a fund, whether current or noncurrent, are recorded in the fund.

The primary effects of the differences in these bases are:

(1) For governmental fund types, most long-term liabilities are reported in the General Long-Term Obligations Account Group rather than as fund liabilities. The proceeds of long-term borrowings result in increases to fund balance because "other financing sources" are credited to the fund. Fund liabilities for both principal and interest related to general long-term obligations are recognized when they become "due and payable" (i.e., when normally liquidated with expendable available financial resources).

(2) Fixed asset acquisitions are recorded as expenditures of governmental fund types in the year acquired. Such assets are capitalized in proprietary fund types, with depreciation expense recognized over the life of the asset.

(3) For governmental fund types, revenue which is not "available" is recorded as deferred revenue. Other noncurrent assets result in reservations of fund balance. Such deferrals and reserves are usually not reflected in proprietary type funds.

D. Fiscal Year-Ends

All funds and component units are reported using fiscal years which end on September 30, except for two component units. Two component units with June 30 year-ends are the Michigan State Housing Development Authority and the Michigan State Hospital Finance Authority, both of which are reported in the enterprise fund group.

E. Assets, Liabilities, and Fund Equity

Equity in Common Cash: The State Treasurer maintains centralized management of most State cash resources (not including component units). The operations and investments of the common cash pool are described in Note #5.

Taxes Receivable: Tax revenue is accrued to the extent that it is both measurable and available. Application of the measurability and availability criteria regarding taxes is described in Note #6.

Amounts Due From Federal Agencies: For most federally funded programs, revenue is accrued in the same period as related obligations are recorded. In certain programs financed entirely by the federal government, expenditures and related revenues are recognized only to the extent of billings received by fiscal year-end. This treatment, which is generally limited to certain programs within the Department of Education, understates both assets and liabiiities, so there is no impact on fund balance.

Note 1 continued on next page.

Inventories: Inventories are valued at cost, primarily using a first-in, first-out flow assumption. Expenditures (governmental funds) and expenses (proprietary funds) are recognized using the consumption method (i.e., when used or sold).

Investments: Most equity securities are stated at cost and debt securities are stated at amortized cost. Investments of risk pools, which are reported in the enterprise fund group, are valued at either cost or market depending on the type of investment. Unrealized gains and losses on investments valued at market (e.g., stocks) are not considered in determining net income of those funds, but are reflected as separate elements of fund equity. As explained in Note #19, mutual fund investments of the State's 401k deferred compensation plan are also valued at market. Additional disclosures describing investments are provided in Note #9.

Property, Plant, and Equipment: General fixed assets and capitalizable improvements of governmental fund types are recorded in the General Fixed Assets Account Group at historical cost or, if donated, at the estimated fair market value at the date of acquisition. In assembling the General Fixed Assets Account Group for the first time in 1985, certain fixed asset costs were not available; historical costs of these assets at the dates of acquisitions have been estimated.

Infrastructure ("public domain") fixed assets such as undeveloped State owned land, roads, and bridges are not capitalized. Interest incurred during construction is not capitalized and depreciation is not provided on general fixed assets.

Assets of proprietary funds are capitalized at cost upon acquisition. Depreciation expense on buildings and equipment is recorded over the expected useful lives of the assets. Depreciation is calculated using the straight-line method, except for automotive equipment in the Motor Transportation Revolving Fund (an internal service fund) which is depreciated using the 150% declining balance method.

Additional disclosures related to fixed assets and assets acquired through capital leases are provided in Notes #11 and #16, respectively.

Warrants Outstanding: Warrants outstanding represent drafts issued against the State Treasurer which have not yet cleared. These are somewhat similar to outstanding checks; however, cash is not reduced until warrants are redeemed.

Income Tax Refunds Payable: The amount of collected or accrued personal income tax revenues that will be refunded is estimated and accrued as a General Fund liability. Note #7 explains the significant impact that tax credit programs have on the amounts being accrued.

Deferred Revenue: Deferred revenue is recognized when cash, receivables, or other assets are received or recognized prior to their being earned or available.

Long-Term Liabilities: General long-term obligations which are not reported as fund liabilities are reported in the General Long-Term Obligations Account Group. The group, which is more fully described in Note #15, includes general obligation and revenue dedicated bonds, capital lease obligations, compensated absences, claims and judgments, workers' compensation, early retirement program, and pension funding liabilities related to the funds accounted for on the modified accrual basis. Fund expenditures are recognized for these obligations in the period when they are "normally liquidated with available financial resources." For obligations other than claims and judgments, this means the expenditures are recognized as they become "due and payable." Note #15 explains the accounting for claims and judgments.

The "Advances from federal agencies" line reports the portion of the federal advance to the Michigan Unemployment Compensation Fund (an expendable trust fund) which is not expected to be repaid within twelve months. Note #17 describes this advance.

Long-term liabilities of the proprietary funds are recognized in the funds, except for the portions of the workers' compensation liability for which fund distribution is not reasonably estimable. The long-term liabilities of these funds are more fully explained in Notes #16 and #18.

Fund Equity: Fund equity represents the difference between fund assets and fund liabilities. The governmental and fiduciary funds' fund equity is called "fund balance."

For proprietary funds, equity attributable to accumulated earnings is referred to as "retained earnings." Equity classified as "Net unrealized gains (losses) on investments" represents the valuation of certain investments held by risk pools at market value, rather than cost. Equity provided by other funds or governmental units for property, plant, and equipment or for original start-up costs for new funds is classified as "contributed capital." Note #22 explains the basis for the amounts which are reported as contributed capital.

Note 1 continued on next page.

Reservations: Fund balances for all governmental funds are classified as either reserved or unreserved. Reserved fund balances reflect either: 1) funds legally segregated for a specific use or 2) assets which, by their nature, are not available for expenditure. Unreserved fund balances reflect the balances available for expenditure for the general purposes of the fund. Details related to the make-up of reserved fund balances are reported in Note #24.

Retained earnings reservations in proprietary funds usually reflect amounts required to be set aside by bond agreements. These are described in Note #23.

F. Revenues, Expenditures, Encumbrances, Expenses, and Other Financing Sources and Uses

Revenues: Revenues are reported by source. For budgetary control purposes, revenues are further classified as either "general purpose" or "restricted." General purpose revenues are available to fund any activity accounted for in the fund. Restricted revenues are, either by State law or by outside restriction (e.g., federal grants), available only for specified purposes. Unused restricted revenues at year-end are recorded as reservations of fund balance.

Revenues of governmental funds that accrue to the State independent of when expenditures are incurred by the State (such as taxes, licenses, and permits) are considered "available" if the payer incurs the obligation to the State before year-end and payment is received within 60 days of year-end, except for revenue related to delinquent taxes receivable which is recognized in the amount expected to be received within 12 months (see Note #6).

Revenues which the State earns by incurring obligations (such as matching federal grants) are generally recognized in the same period that the related obligations are recognized. Such accrued revenue is considered available even if it is not received within 60 days of year-end. This method provides improved reporting and control at the program level because it appropriately matches funding sources and uses.

Expenditures: Expenditures are reported by character: "Current," "Capital outlay," "Intergovernmental - revenue sharing," or "Debt service." Current expenditures are subclassified by function and are for items such as salaries, grants, supplies, and services. Capital outlay includes expenditures for real property or infrastructure (e.g. highways). Intergovernmental revenue sharing is used to account for the distribution of certain tax revenues which are shared with local units based upon statutory requirements. Debt service includes both interest and principal outlays related to bonds accounted for in the General Long-Term Obligations Account Group and payments on capitalized leases.

Encumbrances: Encumbrances are commitments related to unperformed (executory) contracts for goods or services. During the fiscal year, agencies may enter all types of encumbrances in the accounting system for spending control purposes. For year-end financial reporting purposes, encumbrances are recorded only to the extent that spending authority is allowed to be carried forward to the next year. How encumbrances are reflected in the statements is more fully described in Note #3.

Unless a statutory exception has been made, there are limits on the types of encumbrances that can be recorded as spending authority carry-forwards at year-end. Encumbrances are not recorded against multi-year project (capital outlay and work project) appropriations which do not lapse until project completion. Other encumbrances are recorded only if the encumbrance is for an obligation that was entered into prior to September 16. Encumbrances for services are recorded only if the contract is for a nonrecurring item. Encumbrance contracts for goods that specify delivery after September 30 are not recorded and encumbered amounts in excess of line-item spending authority are not recognized.

Expenses: Expenses are classified as operating or nonoperating and are subclassified by object (e.g., salaries, depreciation, and purchases for resale).

Other Financing Sources: These additions to governmental fund balances include resources and financing provided by bond proceeds, capital leases, and operating transfers from other funds.

Other Financing Uses: These are reductions of governmental fund resources, normally resulting from operating transfers to other funds.

Note 1 continued on next page.

G. Interfund Transactions

Operating Transfers: Except as described below, transactions between funds are classified as operating transfers. These include most of the routine transfers of resources between funds, such as a transfer from a fund receiving revenue to the fund through which resources are to be expended.

Equity Transfers: Residual equity transfers, which are detailed in Note #22, are used to record capital contributions and other nonrecurring or nonroutine transfers of equity between funds.

Reimbursements: The reimbursement method reclassifies an expenditure/expense from the fund originally making a disbursement to another fund to which the expenditure/expense is more properly attributable. For example, the State uses this method when the administrative costs of proprietary funds, component units, or pension trust funds are appropriated in the General Fund.

Quasi - External Transactions: Certain interfund transactions are recorded as if they were occurring with an outside entity. This method is most commonly used to report revenues of the internal service funds, pension funds, and certain expendable trust funds. The paying funds report expenditures or expenses, depending upon fund type.

NOTE 2 — FUNDS BY CLASSIFICATION

The following table lists all of the funds and component units which make up the various fund types as of September 30, 1990. Component units which are not accounted for in the State's central accounting system but which are included in the reporting entity are identified by "(cu)." Operating funds which are subject to annual appropriation and for which statements comparing budget to actual are included in this report are identified by an "*."

General Fund*

Special Revenue Funds:

Transportation Related:
- State Aeronautics Fund*
- State Trunkline Fund*
- Michigan Transportation Fund*
- Comprehensive Transportation Fund*
- 1984 Comprehensive Transportation Bond Proceeds Fund
- 1984 State Trunkline Fund Bond Proceeds Fund
- 1989 State Trunkline Fund Bond Proceeds Fund

Conservation and Recreation Related:
- Game and Fish Protection Fund*
- Michigan State Waterways Fund*
- Marine Safety Fund*
- Game and Fish Protection Trust Fund
- State Park Improvement Fund*
- Recreation Bond Fund - Local Projects
- Environmental Protection Bond Fund
- Michigan Natural Resources Trust Fund*
- Water Pollution Control Bond Fund
- Michigan Nongame Fish and Wildlife Fund*

Regulatory and Administrative Related:
- Michigan Employment Security Act - Administration Fund*
- Safety Education and Training Fund*
- State Construction Code Fund*
- Homeowner Construction Lien Recovery Fund*

Other State Funds:
- Counter-Cyclical Budget and Economic Stabilization Fund*
- Michigan Veterans' Trust Fund*
- School Aid Fund*
- School Bond Loan Fund
- Children's Trust Fund*
- State Building Authority Advance Financing Fund

Component Units:
- State Building Authority (cu)
- Michigan Higher Education Facilities Authority (cu)
- Michigan Family Farm Development Authority (cu)
- Mackinac Bridge Authority (cu)

Note 2 continued on next page.

Debt Service Funds:

Combined State Trunkline Bond and Interest Redemption Fund
Water Pollution Control Bond and Interest Redemption Fund
Combined Comprehensive Transportation Bond and Interest Redemption Fund
Recreation and Environmental Protection Bond Redemption Fund
School Loan Bond Redemption Fund
State Park Revenue Bond Fund
State Building Authority (cu)

Capital Projects Funds:

Recreation Bond Fund – State Projects
State Building Authority Advance Financing Fund
State Building Authority (cu)

Enterprise Funds:

State Funds:
Liquor Purchase Revolving Fund
State Lottery Fund
Low-Level Radioactive Waste Authority
Michigan State Fair Revolving Fund
Department of Natural Resources Magazine Fund
Accident Fund of Michigan

Component Units:
Michigan State Hospital Finance Authority (cu)
Michigan Education Trust (cu)
Michigan Higher Education Student Loan Authority (cu)
Michigan Higher Education Assistance Authority (cu)
Mackinac Island State Park Commission (cu)
Michigan Strategic Fund (cu)
Michigan State Housing Development Authority (cu)

Internal Service Funds:

Correctional Industries Revolving Fund
Motor Transport Revolving Fund
Office Services Revolving Fund
Telecommunications Revolving Fund
Risk Management Fund
State Sponsored Group Insurance Fund
State Water Pollution Control Loan Fund

Trust Funds:

Expendable Trust Funds:
Michigan Unemployment Compensation Fund (cu)
Michigan Employment Security Act Contingent Fund
Second Injury Fund
State Employees' Deferred Compensation Fund II (401k)
Transportation Related Trust Funds
Miscellaneous Trust Accounts Fund

Pension Related:
Legislative Retirement Fund
State Police Retirement Fund
State Employees' Retirement Fund
Public School Employees' Retirement Fund
Probate Judges' Retirement Fund
Judges' Retirement Fund
Municipal Employees' Retirement Fund

Agency Funds:

Metropolitan Planning Fund
Financial Institutions Deposits Fund
State Employees' Deferred Compensation Fund I (457)
Hazardous and Solid Waste Disposal Facilities Closure Guarantee Fund
Insurance Carrier Deposits Fund
State Treasurer's Escrow and Paying Agent Fund

NOTE 3 — BUDGETING AND BUDGETARY CONTROL

A. Major Constitutional and Statutory Provisions

Balanced Budget Requirements: Article V of the State Constitution mandates that the executive budget recommend spending limits for operating funds to the Legislature that are within available resources. Compliance with this is demonstrated in the "Executive Budget" for each fiscal year.

Article IV of the State Constitution mandates the Legislature to enact appropriations for a fund that do not exceed that fund's revenue estimates including beginning unreserved fund balance. Compliance with this requirement is demonstrated in schedules included in the annual appropriation acts, usually the "General Government" appropriation act. When it appears that revenue will fall below the estimates on which the appropriations are based, the Governor is required to recommend spending reductions as necessary to avoid a year-end deficit. Official revenue estimates at September 30 did not indicate a need for such spending reductions.

Revenue Limits: Effective with fiscal year 1979-80, Article IX, Section 26 of the State Constitution restricted State revenues to a ceiling based upon revenues for fiscal year 1978-79 as a proportion of personal income for calendar year 1977. More specifically, it provides that State revenues (other than federal aid and revenues used for payment of principal and interest on general obligation bonds) in any fiscal year are limited to 9.49% of the prior calendar year's personal income. For example, the fiscal year 1989-90 revenues cannot exceed 9.49% of calendar year 1988 personal income, or the average of the three prior years' income, whichever is greater. Both the constitutional language and implementing statutes provide for other adjustments to the revenue and personal income calculations. If revenues exceed the limit by 1% or more, the entire amount in excess of the limit must be refunded to personal income tax payers and payers of the State's single business tax. If the limit is exceeded by an amount less than one percent, the excess may be deposited into the State's Budget Stabilization Fund.

The official calculation for fiscal year 1989-90 is not required to be made until June 30, 1991. Preliminary estimates indicate that State revenues for fiscal 1989-90 are well under the limit. For fiscal year 1988-89, revenues were under the limit by $1,351.7 million.

Local Spending Requirements: Article IX, section 30 requires that State spending to, or on behalf of, local units of government not fall below 41.61% of total State spending. Calculations of the percentage paid in 1989-90 are not yet complete, however, it is anticipated that payments to local units exceeded the requirement. For fiscal year 1988-89, the percentage paid to local units amounted to 42.53%.

The methods used by the State to measure payments to, or on behalf of, the local units are involved in litigation cases and the State has lost one case at the appellate level. The State appealed that case and has been granted a stay. The State believes its position will prevail at the State Supreme Court level, where the case has been heard and a decision is pending. If the State does lose, however, it is considered most likely that any remedy would be prospective in nature and therefore no liability or loss provision has been established for this contingency.

Budget Stabilization Fund: The Counter-Cyclical Budget and Economic Stabilization Fund (a special revenue fund) was created by Public Act 76 of 1977 to assist in stabilizing revenue and employment during periods of economic recession. In general, the law requires payments into the fund when real economic growth exceeds 2% and allows withdrawals from the fund when real economic growth is less than 0%. Funds can also be withdrawn to fund capital outlay projects.

Public Act 324 of 1990 also allowed a withdrawal to be made if certain 1989-90 School Aid Fund distributions occurred and the General Fund unreserved ending fund balance was less than $10 million. Since the distributions did occur and the General Fund unreserved fund balance was in a deficit condition, a transfer from the Budget Stabilization Fund was made to the General Fund in the amount of the distribution. Under the provisions of the appropriation act authorizing the distribution (P.A. 181 of 1989, section 212), this transfer is to be repaid with interest. The repayment provision, however, is considered a budgetary commitment subject to appropriation and no such appropriation has been made for the 1990-91 fiscal year. An operating transfer recording a withdrawal was therefore recorded rather than an interfund loan.

The following summarizes the transactions for the fund for 1989-90 (in millions):

Beginning balance - unreserved	$419.2
Interest income	35.8
Operating transfer to General Fund	(69.9)
Ending balance - unreserved	$385.1

Note 3 continued on next page.

B. Budgetary Control - Governmental Fund Types

A number of different budgetary control processes are used for the various funds and programs within funds. Annual legislative appropriations and revenue estimates are provided only for operating funds. These annually budgeted operating funds include the General Fund and 18 of the special revenue funds. (Note #2 identifies the annually budgeted operating funds.) The other funds do not have complete legally adopted budgets, but they are usually subject to some more limited form of budgetary control, such as financial plans or a limiting of expenditures to the amount of resources. The budget to actual comparative statements in this report reflect only the annually budgeted operating funds of the oversight entity.

Revenues: General purpose (unrestricted) revenue estimates are provided in both the original executive budget and in original legislative appropriations in order to demonstrate compliance with constitutional provisions. Public Act 431 of 1984 makes the Department of Management and Budget responsible for updating revenue projections. Revenues restricted by law or outside grantors to a specific program are estimated at a level of detail consistent with controlling related expenditure accounts.

Spending: The level and method of control provided over spending varies significantly between funds and programs. However, most spending authorizations for operating funds are broken down into object categories (e.g., salaries) by organizational subunits (e.g. divisions) of departments. If a department wishes to transfer spending authority from one account to another, it must, generally, receive legislative approval. Expansion of total spending authority usually requires a supplemental appropriation. In the event that expenditures exceed authorization during a year, the department must request a supplemental appropriation (carry-back) for the amount overspent.

For programs financed from restricted revenues, spending authorizations are generally contingent upon recognition of the related revenue. If revenues fall short of estimates, related spending authorizations are reduced. If revenues exceed the estimate, supplemental appropriations are usually required before they can be spent.

Budgetary control of spending is maintained by the central accounting system at the appropriation account level. Spending authority accounts are at a level of detail which makes it infeasible to include a comparison of budget to actual at the level of budgetary control in the State's Comprehensive Annual Financial Report. A separate report is published by the Department of Management and Budget detailing the disposition of authorizations at the spending account level.

C. Statutory/Budgetary Presentation

In the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General and Special Revenue Funds," expenditures, operating transfers out, other financing uses, and encumbrances are combined and classified by department, rather than being reported by character and function as shown in the GAAP statements. This departmental classification is used to better reflect organizational responsibility and to be more consistent with the budgetary process. Generally accepted accounting principles require that the final legal budget be reflected in the "budget" column, therefore the updated revenue estimates as of November 30, rather than the amounts shown in the original budget, are reported. The November 30 date is used because P.A. 431 of 1984 permits budget adjustments by the Legislature through 60 days after year-end.

The expenditures budget column represents original and supplemental authorizations (i.e., appropriations and carry-forwards) as adjusted for carry-backs (i.e., current year appropriations for prior year overdrafts), executive order reductions, approved transfers, restricted revenue adjustments, prior year carry-forward corrections, and timing differences. The timing differences primarily result from authorizations for multi-year projects, such as capital outlay and work projects, which are provided for a period of more than one year. Such authorization balances remaining at year-end are removed from the budget column so as to provide an "annualized" budget. "Favorable variances" generally reflect unused general purpose spending authority ("lapses") and/or unused restricted revenue authority which carries over as a reservation of fund balance; "unfavorable variances" reflect budgetary overdrafts. If both favorable and unfavorable variances exist for a particular line, the amount shown is the net variance.

Note 3 continue on next page.

Prior year carry-forward corrections result when, subsequent to year-end, it is found that either spending authority which should have been lapsed was carried forward, or that authority which should have been carried forward was lapsed. For example, agencies may designate accounts as work project carry-forwards and it may be later determined that they have not met the legal requirements for such treatment. When these situations occur, the spending authority ("Budget") in the new year is reduced (or reinstated). Therefore, the amount reflected for spending authority brought forward in the current year will not agree, exactly, with the amount reserved for multi-year projects in the prior year.

The Office of the Auditor General is questioning the legal authority for budgetary carry-forwards of $3.1 million this year. They are also questioning whether some $1.7 million of spending violated provisions in the appropriation act.

D. Statutory/Budgetary Reconciliation - General Fund and Special Revenue Funds

The statutory/budgetary basis presentation differs from GAAP in ways that do not affect ending fund balance:

Encumbrances: As explained in Note #1, the State records encumbrances at year-end only if they meet certain criteria. For budgetary reporting purposes, the recorded encumbrances are included with expenditures and operating transfers in the "Actual" columns because they are considered uses of spending authority in the year the State incurs an obligation. The "Budget" columns include encumbrance authorization balances carried over from the prior fiscal year because they provided spending authority in the current year. In the GAAP basis statements, encumbrances are not included as expenditures. The effect of this difference is reflected as a reconciling item on the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General and Special Revenue Funds." The encumbrance of spending authority is recorded as a reservation of fund balance under both bases of accounting.

Capital leases: For budgetary purposes, capitalizable lease expenditures are recognized when payments are due, rather than upon lease inception as required by GAAP. This difference does not affect fund balance because the "other financing sources" recorded under GAAP at lease inception are not recorded on the statutory/budgetary basis.

E. Budgetary Overexpenditures

The following summarizes line-item overexpenditures, which represent noncompliance with state budget laws, of State funds incurred during the year (in thousands):

General Fund	
Legislative	$ 173
Attorney General	4
State	39
Education	320
Public Health	1,368
Mental Health	29,558
Social Services	239,889
Corrections	11,617
Military Affairs	30
Commerce	7
Labor	424
Natural Resources	404
Agriculture	12
General Fund Total	$283,853
Special Revenue Funds	
Game and Fish Protection Fund	$ 63
State Aeronautics Fund	731
Michigan Veterans' Trust Fund	10
State Trunkline Fund	1,335
Michigan Transportation Fund	66
School Aid Fund	8
Michigan Natural Resources Trust Fund	35
Special Revenue Funds Total	$ 2,253

NOTE 4 — RESTATEMENTS AND ACCOUNTING CHANGES

Restatements

Michigan Education Trust: In the prior fiscal year, the Michigan Education Trust (MET) reported liabilities for only the original tuition benefit contract amounts. This year, liabilities are recorded at the actuarially determined present value of the future tuition benefit obligations. Under this method, MET is adopting accounting principles applicable to risk pools rather than reporting in a manner similar to pension plans. The change in accounting was made because reporting liabilities for the future tuition benefit obligations provides a better measurement of MET's financial condition and operating results.

This change is being reported as a restatement of beginning balances. The effect on the enterprise fund column of the Combined Balance Sheet was to increase liabilities and decrease retained earnings as of October 1, 1989 by $11.6 million. The effect on the Combined Statement of Revenues, Expenses, and Changes in Retained Earnings and Fund Balances was to increase this year's tuition benefit expense and decrease net income by $6.4 million.

Accounting Changes

Accident Fund of Michigan: The Accident Fund of Michigan (AFOM) is a major provider of workers' compensation insurance for Michigan employers. In prior years, the AFOM was excluded from the State's financial reporting entity because legal actions had prevented the State from exercising oversight responsibility. Such legal action has been resolved and the State has assumed oversight of the AFOM, which is now reported in these statements as an enterprise fund.

In prior years, the State reported assets it held on behalf of the AFOM in an expendable trust fund. Those net assets ($459.3 million) were removed from the expendable trust fund group and merged with the new enterprise fund as of October 1, 1989. The amount removed is reported as an adjustment to beginning fund balance in the expendable trust fund group.

The enterprise fund created for the AFOM includes the assets formerly reported in the expendable trust fund group as well as other assets and liabilities that were previously not reported in these statements. The change to the enterprise fund group as of October 1, 1989 resulted in the recording of assets totaling $627.9 million, liabilities of $539.6 million, and fund equity of $88.3 million ($84.4 million of retained earnings, $3.9 million of unrealized gains on investments). The effect on the Combined Statement of Revenues, Expenses, and Changes in Retained Earnings and Fund Balances is demonstrated in Note #25, "Segment Information."

The addition of the enterprise fund's net assets is reported as an adjustment to beginning fund equity. Prior year amounts have not been restated because audited financial statements of the AFOM were not available. The Statement of Changes in Financial Position, however, was prepared showing changes from the amounts recorded as of October 1, 1989. The beginning working capital adjustment (net current assets) resulting from the accounting change totalled $34.1 million.

Capital Appreciation Bonds: In prior fiscal years, capital appreciation bonds ("zero coupon" or deep discount bonds) were reported in the General Long-Term Obligations Account Group at their original issue amount, rather than at their accreted value. This year, such bonds are reported at their accreted value in order to report a better measure of the liability as of the balance sheet date and show the increase in the liability as it accrues over time. The change was recorded as a restatement of the beginning balances in the account group. Detail is provided in the "Changes in General Long-Term Obligations" section of Note #15.

The timing of debt service fund expenditures is not affected by this change. Under the modified accrual basis, such expenditures are recognized in the funds as they become payable, rather than as they accrue.

NOTE 5 — TREASURER'S COMMON CASH

A. General Accounting Policies

The State Treasurer manages the State's common cash pool, which is used by most State funds. The pooling of cash allows the Treasurer to invest monies not needed to pay immediate obligations so that investment earnings on available cash are maximized. Investments of the pool are not segregated by fund, rather, each contributing fund's balance is treated as equity in the pool. Many funds, including pension funds, use their equity in the pool as a short-term investment vehicle. The Treasurer annually publishes the "Annual Report of the State Treasurer" which includes audited schedules of Common Cash Assets and Equities, Fund Investments by Type of Security, and Investment Earnings.

In the State's Comprehensive Annual Financial Report, the pooled cash is not reported as a separate fund, rather each fund's balance in the pool is reported on the balance sheet on the line "Equity in Common Cash." All negative balances in the pool are reclassified at year-end as interfund liabilities, with an appropriate fund recording the receivable. If the negative balance is considered long-term, the reclassification is recorded as an advance.

Accrued earnings of the pool are recorded as "other assets" in the General Fund. Interest revenues on positive balances and interest charges on negative balances are reflected as revenues or expenditures/expenses of each of the participating funds using the reimbursement method.

Whether a particular fund receives or pays interest on its balances in the pool is determined by statute or administrative policy. If a fund does not receive or pay interest, the General Fund receives or absorbs such amounts. Earnings on positive balances and charges on negative balances are allocated quarterly based upon the average daily balances of the various funds and the average investment earnings rate for the quarter.

B. Investments and Deposits

The investment authority for the common cash pool is found in P.A. 105 of 1855, as amended. The State Treasurer may invest surplus funds belonging to the State in the bonds, notes, and other evidences of indebtedness of the United States Government, and its agencies; and in prime commercial paper. Certificates of deposit are permitted in financial institutions whose principal office is located in the State of Michigan.

The Treasurer invests excess cash in short-term investments, mostly prime commercial paper. The Treasurer is not prohibited by law from entering into repurchase agreements; however, the Treasurer did not use these agreements in managing the pool in 1989-90.

Statutes provide for certain special State investment programs for which the General Fund is credited (charged) for earnings in excess (under) those achieved by regular pool investments. There have been no principal losses because of these to date. The programs are as follows:

Emergency Loans to Local Units of Government: The Treasurer may loan not more than a combined total of $5 million in any one fiscal year to qualifying cities, villages, or townships in amounts as approved by the Emergency Financial Assistance Loan Board.

The Board has also been authorized to approve the lending of up to $120 million to Wayne County to finance the payment of certain obligations to the State. Under the provision of the loan agreement with the County, interest on the loan is forgiven if the County meets certain criteria. If the interest is forgiven, the General Fund absorbs the loss through a reduction of its portion of the pool's investment income. Therefore, the value of the loan and other receivables expected to be repaid from additional draws on the loan have been discounted to their present value, using recent pool earnings rates, (1987-88 at 6.77%, 1988-89 and 1989-90 at 8.432%, and 1990-91 at 8.836%). Such discounts are being amortized over the expected life of the loan.

Under a loan agreement made in 1987-88, the State loaned the County $61.9 million in 1987-88, $7.0 million in 1988-89, and $18.2 million in 1989-90 for a total amount loaned to date of $87.1 million. Loan repayments by the County are supported by provisions of the loan agreement and legislation which pledge the County's share of a portion of the State collected taxes on cigarettes. Repayments on the loan to date total $23.0 million; repayments this fiscal year totalled $4.1 million.

Note 5 continued on next page.

Subsequent to September 30, 1990, the county drew an additional $21.7 million from the common cash pool. A provision of this new draw required the county to refinance certain county bonds so that the loans from the common cash pool will be repaid at a more rapid rate. The refinancing of the county bonds was completed on February 21, 1991. As a result of the revised repayment on the loans from the common cash pool, the discount on the loans was recomputed as of 9/30/90 at $11.8 million. The General Fund equity in common cash is recorded net of the discount recorded on the loans to the county. As such, the accelerated repayment of the loans and resulting restatement of the discount resulted in a gain to the General Fund of $13.3 million.

The subsequent draw was used by the county to repay certain receivables recorded at September 30, 1990 in the General Fund. The recorded receivables were written down from their face value of $21.7 million to the net amount to be realized of $13.3 million. The write down of $8.4 million was used to offset a portion of the $13.3 million gain from the accelerated repayment schedule. The net gain of $4.9 million was recorded as miscellaneous revenue.

Farm Disaster Relief Program: Created in 1986, this program permits the Treasurer to invest up to $200 million in zero percent rate of interest certificates of deposit and notes of financial institutions for a term of at least 3 years for the purpose of providing the financial institutions with funds to lend to farmers with weather related losses in 1986 at zero percent rate of interest. Repayment to the State by financial institutions must be made after 3 years unless a financial institution can show on an annual basis that the farmer to whom a loan has been made is experiencing financial distress, in which case the State investment may remain outstanding for an additional 7 years.

The following schedule of assets and equities (in millions) is a summary of the common cash pool as of September 30.

	1990	1989
ASSETS		
Demand deposits	$ 48.2	$ 21.3
Time deposits — regular	25.6	24.9
Time deposits & notes — Farm Disaster Relief Program	11.1	30.1
Prime commercial paper — at cost	1,870.8	2,098.4
U.S. Treasury bonds — at cost	5.1	5.1
Emergency loans to local units — at cost	77.0	62.1
Less discount on interest free loan	(11.7)	(17.2)
Total assets	$2,026.5	$2,225.0
EQUITIES		
Fund equities (net) in common cash (1)	$2,011.0	$2,209.4
Imprest cash and other items	15.4	15.6
Net fund equities	$2,026.5	$2,225.0

(1) Negative balances in the pool were reclassified at year-end as interfund receivables and liabilities. Within the governmental type funds, the General Fund recorded receivables ($345.9 million) from: the School Aid Fund ($152.4 million), and the State Building Authority Advance Financing (capital projects) Fund ($193.5 million). Within the enterprise type funds, the Liquor Purchase Revolving Fund recorded long-term advances receivable ($5.2 million) from the Michigan State Fair Revolving Fund ($4.7 million), and the Department of Natural Resources Magazine Fund ($.5 million). Within the internal service type funds, the State Sponsored Group Insurance Fund recorded receivables ($22.7 million) from the Motor Transport Revolving Fund ($19.8 million), Office Services Revolving Fund ($1.7 million), Telecommunications Revolving Fund ($.9 million), and the State Water Pollution Control Loan Fund ($.2 million).

At September 30, 1990 and 1989, the market value of prime commercial paper was $1,875.8 and $2,108.0 million, respectively and the market value of the U.S. Treasury bonds was $5.1 million and $5.3 million, respectively. Using the GASB categories of credit risk (described in Note #9), all of the investments are in category 1, except for $538.0 million of prime commercial paper which falls in category 2. The category 2 prime commercial paper investments are those where the State's agent is one of the issuing banks for the issuer.

Deposits, including time, demand, and agricultural loan program deposits, are fully insured by the FDIC ($10.6 million) or collateralized with securities held by the State's agent in the State's name ($50.0 million), except for uncollected deposits ($24.4 million). Using the GASB categories of deposit credit risk (described in Note #9), all of the deposits, except for the uncollected deposits, are in category 1. Compensating balances kept in demand deposit accounts to avoid service charges totalled $30.5 million at September 30, 1990.

NOTE 6 — TAXES RECEIVABLE

In general, taxes receivable represent amounts due to the State at September 30 that were received by the State within approximately 60 days after that date. Sales, use, and income taxes are accrued to the extent that the related sales or wage payments occurred prior to October 1 and received prior to December 1. Annual tax payments (e.g. those filed on an annual basis) have not been accrued because they are neither reasonably estimable nor available. Single business tax revenue is similarly accrued, with receipts received prior to December 1 (i.e., quarterly filings due November 30) recognized as revenue to the extent that the activities being taxed occurred prior to October 1. The telephone and telegraph taxes are due December 1 and are received at approximately that time. Delinquent taxes are recognized to the extent that they will be collected within 12 months, except for the Michigan Unemployment Compensation Fund (expendable trust) which only records taxes received within 60 days as receivables.

Taxes receivable (amounts expressed in millions), as of September 30, consisted of the following:

	FUND TYPES				
	General	Special Revenue	Expendable Trust	1990 Total	1989 Total
Tax					
Sales & use	$ 255.1	$ 221.2	$ -	$ 476.4	$ 432.9
Individual income	655.5	-	-	655.5	600.1
Single business	524.9	-	-	524.9	510.7
Telephone & telegraph	71.0	-	-	71.0	69.3
Motor fuel	-	98.8	-	98.8	90.1
Cigarette	22.3	2.1	-	24.5	29.3
Unemployment	-	-	127.7	127.7	139.6
Other	54.5	26.5	-	81.1	58.9
Penalties and interest	537.0	-	-	537.0	451.1
Gross taxes receivable	2,120.5	349.8	127.7	2,597.1	2,382.2
Less allowance for uncollectibles	(946.2)	(128.9)	-	(1,075.2)	(907.0)
Total taxes receivable (net)	$1,174.3	$ 219.8	$ 127.7	$1,521.8	$1,475.2
As Reported on Balance Sheet					
Current taxes receivable	$1,113.3	$ 212.5	$ 127.7	$1,453.6	$1,418.0
Noncurrent taxes receivable	60.9	7.2	-	68.2	57.1
Total taxes receivable (net)	$1,174.3	$ 219.8	$ 127.7	$1,521.8	$1,475.2

NOTE 7 — INCOME TAX CREDITS

The Michigan Income Tax Act allows for tax credits which are applied against the computed individual income tax amount. The property tax, home heating, and senior citizens' prescription drugs credits may exceed an individual's tax liability and generate a payment to the individual. These credits are accounted for as a reduction of income tax revenue, similar to over withholding refunds.

Calendar year 1990 estimates and 1989 actual return credits are presented in the following table (in millions):

	CALENDAR YEAR	
	1990 Estimate	1989 Actual
Property tax credits		
General homestead	$420.0	$363.2
Senior citizens	355.0	325.5
Farmland preservation	55.0	54.3
Other	14.0	13.8
Subtotal - property tax credits	844.0	756.8
Other credits		
City income tax	32.0	30.4
College contributions	18.5	17.6
Home heating (including federal share)	40.0	38.2
Senior citizens' prescription drugs	10.0	9.5
Others	25.0	24.8
Total individual income tax credits	$969.5	$877.3

Of the 1990 estimated credits, $654.0 million has been established as a liability of the General Fund at September 30, 1990 and is included in the "Income Tax Refunds Payable" amount of $853.9 million.

NOTE 8 — JOINT VENTURES

The State is a participant in two joint ventures. Joint ventures are not reflected as funds within this report, but a description of each venture and summarized financial information are provided below.

The International Bridge Authority of Michigan (IBAM) at Sault Ste. Marie, Michigan is a joint venture of the State and Canadian governments and, therefore, is not included as a component unit in this report. The Authority is governed by a commission made up of five members, three from the State (appointed by the Governor with the consent of the Senate) and two from Canada (appointed by the St. Mary's River Bridge Company, which is controlled by the Province of Ontario). Toll revenues are used to finance the cost of operating and maintaining the bridge as well as to cover debt service requirements. Budgetary and financial control over the Authority is the responsibility of the commission.

The Great Lakes Protection Fund (GLPF) is a recently established not-for-profit corporation located in Chicago, Illinois. Its purpose is to finance and support research with respect to water quality of the Great Lakes. The eight states bordering on the Great Lakes are eligible to become members if they make a required contribution to the endowment of the Fund. Contributions required were established based upon water consumption and usage. With a contribution of $25 million, Michigan is the largest contributor to the fund. Michigan made its required contribution this year by issuing the Fund a general obligation bond authorized as part of the State's environmental protection bond program.

Each of the participating seven member states are represented by two members on the GLPF's board of directors. The board members are elected by the states' respective governors. The Fund's financing and budgeting operations are controlled by the directors within requirements established by the Articles of Incorportation. One third of the earnings on total contributions is granted to the respective states in proportion to their contributions to the Fund. These grants are to be used for the purposes of the Fund. Two thirds of the earnings are available to the Fund to make other grants and to cover other expenses.

The following is summarized financial information for the IBAM as of its August 31 fiscal year-end and unaudited interim financial information for the GLPF for the nine month period ending September 30 (in thousands):

	IBAM	GLPF
Current Assets	$2,020	$19,160
Current Liabilities	647	647
Noncurrent Investments	-	25,000
Endowment Funds	-	42,400
Total Equity	1,372	43,531
Total Revenues	4,430	2,264
Total Expenditures/Expenses	3,603	1,133
Excess of Revenue and Other Sources Over (Under) Expenditures/ Expenses and Other Uses	458	1,131
Fixed Assets (cost)	3,887	18
Long-Term Debt (Bonds Payable)	7,850	-

NOTE 9 — DEPOSITS AND INVESTMENTS

A. General Information

This note provides information for all deposits and investments except those of the Common Cash pool which are described in Note #5. The following table summarizes "Investments" (including deposits with financial institutions that are held for investment purposes) as reported on the balance sheet (in millions):

Fund Type	Current Investments	Noncurrent Investments	Total Investments
General Fund	$ -	$ -	$ -
Special Revenue			
State Funds	-	33.4	33.4
Component Units:			
State Building Authority	34.8	-	34.8
Other Component Units	17.2	-	17.2
Total	52.1	33.4	85.6
Debt Service			
State Funds	3.1	-	3.1
Component Units:			
State Building Authority	165.8	63.5	229.3
Total	168.9	63.5	232.5
Capital Projects			
Component Units:			
State Building Authority	20.9	-	20.9
Total	20.9	-	20.9
Enterprise			
State Funds:			
State Lottery Fund	57.1	504.1	561.2
Accident Fund of Michigan	64.7	410.9	475.6
Component Units:			
Michigan State Housing Development Authority	384.9	339.3	724.3
Michigan State Hospital Finance Authority	284.6	63.1	347.7
Michigan Education Trust	15.0	339.4	354.4
Michigan Higher Education Student Loan Authority	67.8	43.6	111.5
Other Component Units	103.4	39.3	142.8
Total	977.8	1,740.0	2,717.8
Trust and Agency			
State Funds:			
Pension Trust Funds	2,627.1	16,148.2	18,775.3
State Employees' Deferred Compensation Fund I (457)	-	849.5	849.5
State Treasurer's Escrow and Paying Agent Fund	68.3	880.5	948.8
Other State Funds	24.8	76.9	101.8
Component Units:			
Michigan Unemployment Compensation Fund	1,032.6	-	1,032.6
Total	3,752.9	17,955.2	21,708.2
Total Investments	4,972.8	19,792.4	24,765.2
Total State Funds	2,845.3	18,903.9	21,749.2
Total Component Units	2,127.5	888.5	3,016.0
Total Investments	$4,972.8	$19,792.4	$24,765.2

The GASB's Statement 3 requires certain disclosures regarding policies and practices with respect to deposits and investments and the credit risk associated with them.

Note 9 continued on next page.

Deposits: In accord with Statement 3, deposits are classified into three categories of credit risk, as follows:

Category 1: Insured or collateralized with securities held by the entity or by its agent in the entity's name

Category 2: Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name

Category 3: Uncollateralized. (This includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the entity's name.)

Investments: In accord with Statement 3, investments are also classified into three categories of credit risk, as follows:

Category 1: Insured or registered, or securities held by the entity or its agent in the entity's name

Category 2: Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the entity's name

Category 3: Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the entity's name. (This includes the portion of the carrying amount of any repurchase agreement that exceeds the market value of the underlying securities.)

Certain types of investments, such as money market funds and mutual funds, are not categorized because they are not evidenced by securities that exist in physical or book entry form.

Disclosures for State funds have been broken into two basic categories: pension system funds and other funds. Information regarding these deposits and investments was provided primarily by the State Treasurer, who manages most investments.

Information for component units has been extracted from the separately issued financial reports for each component unit. Readers interested in more detail regarding particular component units may wish to obtain the separately issued financial reports.

B. State Funds' Deposits and Investments

Deposits

Some State funds maintain deposits with financial institutions in addition to equity in the Common Cash pool. At year-end, the carrying amount of such deposits was $7.3 million. The deposits were reflected in the accounts of the banks at $7.3 million. Of the bank balance, $.1 million was covered by federal depository insurance (GASB credit risk category #1), and $7.2 million was uninsured and uncollateralized (GASB credit risk category #3).

Investment Authority and Policies

Investment authority for the State's pension funds is found in P.A. 314 of 1965, as amended. This act allows the State Treasurer, as investment fiduciary, to make diverse investments in stocks, corporate and government bonds and notes, mortgages, real estate, venture capital, and other investments. The act has prudence standards and requires that the assets of a retirement system shall be invested solely in the interest of the participants and beneficiaries and be made for the exclusive purpose of providing benefits to the participants and the participants' beneficiaries, and of defraying reasonable expenses of investing the assets of the state system. Public Acts 252 and 253 of 1988, with an effective date of January 1, 1989, amended the statute to prohibit new investments in companies that do business in South Africa and require a phased in divestiture of such investments.

The State Treasurer is also authorized to invest a limited amount of pension funds in futures contracts. Such investments were made in S & P 500 Index futures contracts during the year, however, no such investments were outstanding at year-end.

Note 9 continued on next page.

The investment authority for other State funds is found in their enabling legislations and/or their bond resolutions where applicable. With the exception of deferred compensation plans, which primarily invest in guaranteed investment contracts with insurance companies, and the Accident Fund of Michigan, which makes diverse investments in such securities as are specified by law for investment by casualty insurance companies, the investments of the non-pension funds are comprised mostly of United States government securities.

As a matter of administrative policy, the State Treasurer makes only limited use of investments in repurchase agreements. These agreements are used, however, for the State Park Revenue Bond Fund, a "fiscal agent" fund which does not participate in the common cash pool; the Fund held a repurchase agreement of $1.1 million at year-end. The State Treasurer's Escrow and Paying Agent Fund, also a fiscal agent fund, held repurchase agreements totalling $1.0 million at year-end. The Accident Fund of Michigan held repurchase agreements totalling $2.2 million at year-end.

The following table shows the carrying amounts and market values of investments of the State funds, including deposits classified as investments on the balance sheet, by investment type and in total (in millions) at September 30, 1990:

	Carrying Amount			
Type of Investment	Pension Trust Funds	Other State Funds	Total	Market Value
Deposits:				
Certificates of deposit	$ -	$ .4	$ .4	$ .4
Investments:				
Prime commercial paper	2,468.3	10.0	2,478.3	2,486.0
Short-term notes	149.9	-	149.9	150.0
Repurchase agreements	-	4.3	4.3	4.3
Bankers' acceptances	.5	12.5	13.0	13.0
Government securities	3,310.9	1,786.6	5,097.5	5,103.8
Corporate bonds and notes	2,582.4	200.6	2,783.0	2,717.5
Convertible bonds	52.6	-	52.6	46.4
Preferred stock	9.7	3.4	13.1	12.0
Equities	7,441.6	30.0	7,471.6	6,931.7
Mortgages	937.4	-	937.4	1,049.1
Real estate	1,217.4	-	1,217.4	1,310.8
Venture capital and leveraged buyouts	553.4	-	553.4	646.5
International	50.8	-	50.8	45.0
Investment contracts	-	899.7	899.7	899.7
Mutual funds (401k)	-	26.0	26.0	26.0
Total	$18,775.3	$ 2,973.8	$21,749.2	$21,442.7

All of the State funds' investments fall into GASB's credit risk category #1, except for: $425.1 million of prime commercial paper and $.5 million of bankers' acceptances, which fall into category #2 and the mutual fund (401k) investments, which are not categorized. Additional detail regarding the carrying amount and market value of pension funds is provided in Note #12. Of the "Other State Funds," the largest holders of investments were the State Treasurer's Escrow and Paying Agent Fund (32%), the State Lottery Fund (19%), the Accident Fund of Michigan (16%), and the State Employees' Deferred Compensation I (457) Fund (29%).

The State Treasurer's Escrow and Paying Agent Fund investments ($948.8 million) are primarily in the form of government securities, in addition to the repurchase agreements referred to previously.

The State Lottery Fund investments ($561.2 million) are all in the form of zero coupon U.S. Treasury bonds. As described more fully in Note #18, these investments are held to provide funding for deferred prize awards.

The Accident Fund of Michigan investments include equity securities which are valued at market, rather than cost, in accordance with accounting methods followed by public entity risk pools. The amount of unrealized gain on investments ($14 thousand) is shown on the balance sheet as a separate component of fund equity. The decrease in unrealized gain during the fiscal year ($3,905 thousand) does not affect the net income or retained earnings of the fund.

The State's section 457 deferred compensation plan investments ($849.5 million) are all in the form of guaranteed investment contracts with insurance companies. The line titled "Investment contracts" in the preceding table also includes section 401k deferred compensation plan investment contracts. Additional information on the State's deferred compensation plans is provided in Note #19.

Note 9 continued on next page.

C. Component Unit Deposits and Investments

Deposits

At year-end, the carrying amount of component unit deposits, excluding those classified as investments, was $12.1 million. The deposits were reflected in the accounts of the banks at $23.1 million. Of the bank balance, $9.2 million was covered by federal depository insurance or by collateral held by the component unit's agent in the component unit's name (GASB credit risk category #1), $5.6 million was covered by collateral held in the pledging bank's trust department in the component unit's name (GASB credit risk category #2), and $8.3 million was uninsured and uncollateralized (GASB credit risk category #3).

Investments

The investment authority for most component units is typically found in their enabling legislations and/or their bond resolutions where applicable. Those component units which are financing authorities generally may invest in government or government backed securities and deposits. The Michigan Education Trust's investments are subject to an investment agreement with the State Treasurer which allows the Treasurer, acting as agent, to make diverse investments including stocks, bonds, notes, and other investments. Investments of the Michigan Unemployment Compensation Fund (MUCF) represent the MUCF's interest, at cost (approximates market), in a U.S. Treasury trust fund managed by the Secretary of the Treasury pursuant to Title IX of the Social Security Act, which includes deposits from the unemployment compensation funds of various states. The MUCF is credited quarterly with trust fund investment earnings only to the extent that the Fund's equity in the trust fund exceeds the balance of outstanding advances (see Note #17) made to MUCF, as computed on a daily basis.

The following table shows the carrying amounts and market values of investments of the component units, including deposits classified as investments on the balance sheet, by investment type and in total (in millions):

	GASB Category				Total Carrying Value	Market Value
	#1	#2	#3	Not Categorized		
Deposits:						
Certificates of deposit	$ 91.9	$ 16.1	$ 12.3	$ -	$ 120.3	$ 120.3
Investments:						
Commercial paper	-	15.0	52.0	-	67.0	67.5
Repurchase agreements	9.1	195.2	237.7	-	442.1	442.1
Government securities	72.0	286.3	156.9	-	515.4	534.5
Insured mortgage backed securities	-	107.4	30.7	-	138.2	138.3
Government backed securities	-	3.5	98.4	-	102.0	104.0
Investment agreements	40.9	-	174.3	-	215.2	215.2
Corporate bonds and notes	-	150.0	-	-	150.0	144.8
Preferred stock*	-	189.4	-	-	189.4	189.4
U.S. Treasury trust fund	-	-	-	1,032.6	1,032.6	1,032.6
Government money market funds	-	-	-	43.4	43.4	43.4
Total Investments	$214.1	$963.1	$762.6	$1,076.0	$3,016.0	$3,032.5

*All of the preferred stock in the above table is held by the Michigan Education Trust (MET). These investments are carried at market value, rather than cost, in accordance with the accounting methods followed by public entity risk pools. The amount of unrealized loss on investments ($4.1 million) is reflected on the balance sheet as a separate component of fund equity. Retained earnings and net income are not affected by this valuation adjustment. All of this unrealized loss was applicable to the current fiscal year, as MET did not hold such investments at September 30, 1989.

NOTE 10 — MORTGAGES AND LOANS RECEIVABLE

Mortgages and loans receivable (in millions) reported in the enterprise fund group consist of the following:

	Mortgages and Loans Receivable (Gross)	Unamortized Discount and Deferred Loan Origination Fees	Allowance for Possible Losses	Mortgages and Loans Receivable (Net)
Michigan State Housing Development Authority	$1,727.8	$ (11.0)	$ (24.0)	$1,692.7
Michigan State Hospital Finance Authority	1,366.8	(45.8)	-	1,321.0
Michigan Higher Education Student Loan Authority	150.8	-	-	150.8
Michigan Higher Education Assistance Authority	3.3	-	(2.5)	.8
Michigan Strategic Fund	28.4	-	(12.0)	16.4
	$3,277.4	$ (56.8)	$ (38.5)	$3,181.9

The Michigan State Housing Development Authority had loan commitments outstanding at June 30, 1990 of $107.5 million.

Mortgages held as investments by pension trust funds ($937.5 million at book) are reflected as long-term investments.

NOTE 11 — PROPERTY, PLANT, AND EQUIPMENT

Proprietary Funds

Classification: The following table summarizes, by major class of asset, the recorded costs of fixed assets included in proprietary funds, as of September 30, 1990 (in millions):

Classification	Enterprise Funds	Internal Service Funds
Land	$ 11.6	$ -
Buildings and Equipment	77.2	150.0
Construction in Progress	.1	9.3
Total	89.0	159.3
Allowance for Depreciation	(29.9)	(62.0)
Net Property, Plant, and Equipment	$ 59.0	$ 97.2

Depreciation: Depreciation methods and useful life estimates used for buildings and equipment vary between the different funds and component units. The estimated service lives of the respective assets range from 5 to 60 years for buildings and 2 to 20 years for equipment. Several funds and component units in the proprietary and pension trust fund classes do not capitalize and depreciate their fixed assets if the asset costs are insignificant in comparison to total operating costs.

Note 11 continued on next page.

General Fixed Assets

Changes by Classification: The following table summarizes, by major class of asset, the changes in recorded costs for the General Fixed Assets Account Group (in millions). Increases and decreases in general fixed assets which resulted from fiscal year 1989-90 transactions are reflected in the additions and deletions columns. The adjustments and reclassifications column includes the reclassification of completed construction projects from construction in progress to land and buildings and various other adjustments.

Classification	Balance September 30, 1989	Additions	Deletions	Adjustments and reclass-ifications	Balance September 30, 1990
Land	$ 187.5	$ 6.4	$ -	$ 11.6	$ 205.5
Buildings	1,358.8	53.1	10.9	84.5	1,485.5
Equipment	443.2	72.4	46.1	(2.0)	467.4
Construction in Progress	240.5	182.6	-	(127.3)	295.7
Total General Fixed Assets.	$2,230.1	$ 314.6	$ 57.1	$ (33.2)	$2,454.4

Funding Source: The following summarizes the funding source of the investment in general fixed assets as of September 30, 1990 (in millions):

Fund	Investment
General Fund	$1,729.5
Special Revenue Funds:	
Transportation Related	147.4
Conservation and Recreation Related	45.9
Regulatory and Administrative Related	30.1
Mackinac Bridge Authority	1.5
Capital Projects Funds	499.7
Total Investment in General Fixed Assets..	$2,454.4

Construction in Progress: The following summarizes the major types of projects included in construction in progress as of September 30, 1990 (in millions):

Type of Project	Estimated Cost	Authorized	Expended
Correctional facilities:			
New prisons	$384.2	$375.0	$224.9
Other	31.6	31.6	12.6
Other projects	237.0	172.5	58.2
Totals	$652.8	$579.2	$295.7

In addition to the projects noted above, the State has planned other construction projects which were unfunded as of September 30, 1990. The costs of these projects, as well as the unfunded portion of projects currently in progress, will be funded from future years' resources.

NOTE 12 — PENSION BENEFITS

The State of Michigan makes legally required contributions to the following pension plans. The contributions to the Public School Employees' Retirement System and the Probate Judges' Retirement System are non-employer contributions to cost-sharing multiple-employer pension systems. The contribution to all other systems are employer contributions to single-employer defined benefit systems. Each system is accounted for in a separate fund:

Legislative Retirement System (LRS)
State Police Retirement System (SPRS)
State Employees' Retirement System (SERS)
Public School Employees' Retirement System (PSERS)
Probate Judges' Retirement System (PJRS)
Judges' Retirement System (JRS)

Military Retirement Plan (MRP) - As explained more fully under its plan description below, the State makes no actuarially computed contribution to the Military Retirement Plan (MRP). It's benefits, which are funded on the pay-as-you-go basis, are paid from the General Fund.

Note 12 continued on next page.

The State administers the Municipal Employees' Retirement System (MERS), an agent-multiple employer pension plan which provides retirement and associated benefits to employees of 377 local units of government within the State. As an agent, the State provides no funding and has no liability for benefits, but must exercise due care in administering the plan on behalf of its members. At September 30, 1990 the plan had net assets available for benefits of $1,346.7 million and a pension benefit obligation of $1,220.5 million. Employer contribution requirements are separately determined by MERS' actuary for each participating unit of government and, accordingly, individual municipality contribution rates and funding status will vary from municipality to municipality. Additional disclosures are contained in the plan's detailed financial report issued by the Bureau of Retirement Systems.

For each plan described below, the Legislature establishes both the extent to which the employer and employees are required to make contributions and establishes the benefit provisions as indicated in the "Description of Plans." The Bureau of Retirement Systems issues more detailed financial reports for each of the plans except for the MRP.

DESCRIPTION OF PLANS

Legislative Retirement System - Plan membership - This plan covers substantially all State legislators. Plan benefits - Members may retire at age 55 with 5 or more years of credited service, or at 55 with specified combinations of full or partial terms of office. Deferred allowance can be vested after 5 years of credited service, with benefits beginning at age 55. The plan has provisions for disability allowances and death in service payments to beneficiaries. Post-retirement medical benefits - Retirants, survivors and deferred vested members are provided paid dental, vision, hearing, hospital and medical coverage. The benefits are funded on the pay-as-you-go basis, with the 1989-90 expense being $.9 million. Funding requirements - Members are required to contribute 9% of current compensation. The State's participation is provided by the General Fund and a portion of court fees.

State Police Retirement System - Plan membership - This plan covers members of the Michigan State Police. Plan benefits - Members may retire with 25 years of service. Deferred benefits are vested after 10 years of service, with benefits beginning at age 50. The plan also provides for duty and non-duty disability retirement, as well as death benefits to beneficiaries. Post-retirement medical benefits - Retirees have the option of continuing hospitalization and major medical coverage. The retiree pays 5% of health insurance premiums and the State pays 95% until age 65 when Medicare takes over (for those eligible for medicare) and the State pays 100% of the remaining cost. Dental and vision coverage is available to retirees with 10% of the premium paid by the retiree. The employer's expense for these purposes in 1989-90 was $5.3 million. The State funds the health, dental, and vision insurance costs on a prefunding basis. Funding requirements - The system is non-contributory, with the State's contribution provided by the General Fund.

State Employees' Retirement System - Plan membership - This system is a statewide pension plan covering all State employees who are not covered by other systems Plan benefits - A member may retire after attaining age 55 with 30 or more years of credited service, or after attaining age 60 with 10 or more years of credited service. Members eligible for supplemental benefits may retire at age 51 with 25 or more years of service, or at age 56 with 10 or more years of service. A member may retire early with a reduced retirement allowance after attaining age 55 with 15 or more years of credited service. The plan also has provisions for a vested deferred allowance after 10 years of service, as well as duty and non-duty disability and death-in-service provisions. A deferred retirement is available after 5 years of service for State employees occupying unclassified positions in the executive and legislative branches. Post-retirement medical benefits - Retirees have the option of continuing hospitalization and major medical coverage. The retiree pays 5% of health insurance premiums and the State pays 95% until age 65 when Medicare takes over and the State pays 100% of the remaining cost. Dental and vision coverage is available to retirees with 10% of the premium paid by the retiree. The employer's expense for these purposes in 1989-90 was $69.4 million. The State funds the dental and vision insurance cost on a prefunding basis. The employer also paid $3.3 million in life insurance proceeds under policies covering retirees, spouses and dependents. Funding requirements - The system became non-contributory in 1974. The majority of the plan's contributions are provided by the General and Special Revenue Funds.

Public School Employees' Retirement System - Plan membership - This system is a statewide pension plan covering all public education employees except those at six institutions of higher education and some employees of other institutions of higher education who elect coverage by another retirement program. Plan benefits - P.A. 91 of 1985 provided for employees to make a one-time irrevocable decision to join a "member investment plan." This option requires employee contributions and provides for early retirement and more liberal retirement benefits. Employees hired after December 31, 1989 must join the "member investment plan." Under the normal plan, a member may retire after attaining age 55 with 30 or more years of service, or at age 60 with 10 or more years of service. An early retirement with reduced benefits is available at age 55 with 15 or more years of service. The plan provides for a deferred allowance with vesting after 10 years, duty and non-duty disability and death-in-service provisions.

Note 12 continued on next page.

Post-retirement medical benefits - Retirees may, under P.A. 91, continue hospitalization and major medical coverage for themselves and an expanded category of beneficiaries. Retirees pay the same share of costs required from Social Security retirees for part B Medicare coverage until Medicare coverages begins at age 65. Public Act 193 of 1989 also extended dental, vision, and hearing benefits to all retirants and their beneficiaries, for which retirees pay 10% of the health premiums.

The State is also required by statute to fund health, dental and vision insurance costs on a prefunding basis (current year expense plus amortization of unfunded prior period costs). Funding requirements - The system became non-contributory in 1974 and remains so except for those employees electing the "member investment plan" option. The majority of the plan's employer contributions are provided by the School Aid Fund and the local school district employers.

Probate Judges' Retirement System and Judges' Retirement System - Plan membership - Both are statewide plans which cover substantially all judges and probate judges in Michigan's judicial branch of government. The Probate Judges' Retirement System (PJRS) became a "closed" system on 1/1/83 with probate judges taking office after that date becoming members of the Judges' Retirement System (JRS). The JRS also includes the Governor, Lieutenant Governor, Secretary of State, Attorney General (all elected), Legislative Auditor General, and the Court Administrator. Plan benefits - A member of either system may retire after attaining age 60 with 8 or more years of credited service, or at age 55 with 18 or more years of service. To retire at 55, members of the JRS must have 6 years of continuous service prior to retirement. Additionally, members of the JRS may retire at any age if credited with 25 years of service, six of which are continuous up to retirement. Both plans provide for deferred retirement with vesting after 8 years of credited service, as well as disability and death-in-service provisions. Post retirement medical benefits - Non-trial court judges and participating elected officials may choose to have hospitalization and major medical coverage continued, paying 10% of health insurance premiums until Medicare coverage begins at age 65. The State's 90% funding of health insurance on the pay-as-you-go basis was a nominal amount because most judges participate in local unit plans. The State also provides life insurance coverage for retirees, spouses, and children. Funding requirements - members of the JRS contribute between 3 1/2% - 7% of salary. Non-trial judges and elected state officials contribute 5% of salary. Members of the PJRS generally contribute 7% of salary to specified maximums. The State's employer contribution under both plans is funded by the General Fund and a portion of court fees.

Military Retirement Plan - Plan membership - This retirement plan covers all members of the Michigan National Guard and full-time state special duty military personnel employed by the Department of Military Affairs. Plan benefits - Benefits of $50 per month are payable to Michigan National Guard personnel beginning at age 55 with 20 or more years of service. Surviving spouses of retirees receiving the $50 per month benefit are entitled to a continuing $25 per month allowance. Full-time state special duty military personnel employed by the Department of Military Affairs receive retirement benefits equal to that authorized for personnel of like grade, rank and longevity who are retired from the active federal armed forces. This retirement benefit is calculated at 2.5% of final annual base compensation times years of service up to a maximum of 75% of annual base compensation. This benefit is offset by their federal military retirement benefit and both are increased annually based on federal cost-of-living adjustments for military retired pay. Surviving spouses are entitled to 50% of the state retirement pay of the deceased state special duty retiree. Post retirement medical benefits - The State also pays 95% of the retirement health premiums for the state special duty retirees and survivors. Funding requirements - the system is non-contributary with the State's contribution provided by the General Fund on a pay-as-you-go basis.

Plan Membership	LRS	SPRS	SERS	PSERS	PJRS	JRS	MRP
Current active:							
Vested	75	1,579	37,861	120,988	42	295	1,527
Nonvested	73	676	31,697	167,877	0	252	14,122
Retirees & beneficiaries receiving benefits	168	1,299	24,863	83,286	90	271	1,137
Terminated members with vested deferred benefits	30	63	2,458	14,065	3	23	499

Note 12 continued on next page.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Market Value of Investments

The table below discloses the carrying value on the balance sheet and market value as of September 30, 1990 of each pension plan's investments. All amounts are in millions.

	Investments	
Systems	Carrying Value	Market Value
Legislative Retirement System	$ 52.4	$ 51.7
State Police Retirement System	407.7	397.5
State Employees' Retirement System	3,837.3	3,768.5
Public School Employees' Retirement System	13,071.9	12,841.9
Probate Judges' Retirement System	16.9	16.5
Judges' Retirement System	121.4	118.7
Military Retirement Plan	-	-

Asset Valuation - The assets of the pension systems are valued differently for determination of the unfunded pension obligation than for balance sheet purposes (cost). For determining the unfunded pension obligation, the assets of the SERS, PSERS, PJRS, and the JRS systems are valued at the September 30, 1986 market value adjusted by 20% of the unrealized gains or losses since that date. The assets of the LRS and SPRS systems are valued at their September 30, 1987 market value adjusted by 20% of the unrealized gains or losses since that date.

Other Investment Information - No investment in any of the pension plans comprises 5% or more of the net assets available for benefits. There are no significant investments made in securities issued by the State, nor are there any loans made from the pension plan to the State. Additional disclosures on investments are provided in Note #9 and on State Treasurer's Common Cash in Note #5.

FUNDING STATUS AND PROGRESS

Actuarial Cost Methods and Assumptions

Cost methods - All systems use the "entry age" method which allocates a higher percent of the total cost to past service cost ("unfunded actuarial accrued liabilities") and a lower percent to current service costs ("normal cost") than does the "attained age" method. Contributions are based upon the "level percentage of payroll" method. The SPRS's death and disability benefits are funded using a one-year terminal funding method.

The following assumptions were used in the actuarial valuations:

System	Rate of return - Investment of Current and Future Assets	Projected Salary Increases		
		Merit	Seniority	Inflation
	% Compounded Annually	%	%	%
LRS	7.0%	-	-	4.0
SPRS	8.5	(Combined 6.5)		
SERS	10.8*	(Combined 0.2-5.8)		5.0
PSERS	9.8**	(Combined 0.1-3.5)		5.0
PJRS & JRS	8.0	(Combined 0.5)		6.5
MRP	N/A			

*Declining to 8% over 7 years
** 9.8% declining to 8.0% over 6 years.

Pre- and post-retirement life expectancies of participants in all systems are based upon the 1971 Group Annuity Mortality Table. Also considered in the valuations were the rates of non-death withdrawal from active service before retirement, rates of disability, and expected retirement ages. The only changes in actuarial assumptions involved the SERS' projected rate of return on investments where the yearly incremental decrease toward 8.0% was made.

Note 12 continued on next page.

The statutes governing the SERS and the PSERS provide for an annual distribution to retirees and retirement allowance beneficiaries on record at the end of each fiscal year if the earnings on plan assets exceed an 8% return after certain post retirement C.O.L.A.'s have been considered. No distribution was made in 1989-90.

The actuarial assumptions used in computing the pension benefit obligation are the same as those used to determine the GAAP required contribution except that the revised rate of return on assets for the PSERS was made effective at September 30, 1989. This affects the Pension Benefit Obligation but not the required funding for the 1989-90 fiscal year. While the GAAP required contribution for all funds was determined using a 40 year period for amortizing prior service costs, the actual contributions are governed by statutes which require amortization over the following years: SPRS, SERS, and PSERS - 50 years, LRS, PJRS and JRS-40 years.

Date of actuarial valuation - Valuations for all systems are as of 9/30/90.

Pension Benefit Obligation (PBO)

The Pension Benefit Obligation is the actuarial present value of credited projected benefits. It measures the present value of pension benefits, adjusted for projected salary and step increases, estimated to be payable in the future as a result of employee service rendered to date. The pension benefit obligation, net assets available for benefits, and unfunded pension obligation are provided to assist readers in assessing funding status on a going-concern basis, assess progress in accumulating assets sufficient to pay benefits when due, and to allow for comparison of the State of Michigan's pension plans with each other and with those of other governmental units.

	September 30, 1990							
(Amounts are in millions)	LRS	SPRS	SERS	PSERS	PJRS	JRS	MRP	TOTAL
Pension benefit obligation - noncurrent employees:								
Current retirants and beneficiaries	$ 32.4	$213.2	$1,791.2	$ 8,155.4	$ 13.6	$ 53.8	$ 12.3	$10,272.0
Terminated vested participants	6.4	3.9	62.6	348.2	.3	2.5	2.2	426.1
Total	$ 38.9	$217.1	$1,853.8	$ 8,503.6	$ 13.9	$ 56.4	$ 14.5	$10,698.1
Pension benefit obligation - current employees:								
Member contributions	$ 4.0	$ 3.3	$ 81.1	$ 1,191.8	$ 1.5	$ 20.3	$ -	$ 1,301.9
Employer financed vested	24.0	317.7	2,105.4	9,028.8	7.0	54.3	6.3	11,543.5
Employer financed nonvested	1.2	14.4	252.5	706.8	-	10.6	3.9	989.5
Total employer financed	25.2	332.1	2,357.9	9,735.6	7.0	64.8	10.2	12,533.0
Total	$ 29.2	$335.3	$2,439.0	$10,927.4	$ 8.5	$ 85.2	$ 10.2	$13,834.9
Pension benefit obligation (1)	$ 68.1	$552.4	$4,292.8	$19,431.0	$ 22.4	$141.5	$ 24.7	$24,533.0
Net assets (at cost) available for benefits	$ 61.5	$415.0	$3,904.8	$13,287.1	$ 17.3	$125.3	$ -	$17,811.0
Asset valuation adjustment	1.5	27.9	238.9	807.2	1.1	6.3	-	1,083.0
Valuation assets	$ 63.0	$442.9	$4,143.7	$14,094.3	$ 18.4	$131.6	$ -	$18,894.0
Unfunded pension benefit obligation:								
Assets at balance sheet value (cost)	$ 6.6	$137.4	$ 388.0	$ 6,143.9	$ 5.1	$ 16.2	$ 24.7	$ 6,722.0
Assets at valuation values	$ 5.1	$109.5	$ 149.1	$ 5,336.7	$ 4.0	$ 9.9	$ 24.7	$ 5,639.0

(1) The PBO includes the following amounts for pre-funded medical benefits: LRS - $4.1 million, SERS - $157.8 million, and PSERS - $3,522.1 million.

Changes and Their Effect on the Unfunded Pension Benefit Obligation

Benefit provisions - Improved benefit provisions increased the pension benefit obligation at September 30, 1990 by $33.0 million in the SPRS, and $8.5 million in the SERS.

Actuarial assumptions - There were no changes in actuarial assumptions during 1989-90 which affected the pension benefit obligation.

Note 12 continued on next page.

CONTRIBUTIONS

GAAP Funding Requirements and Contributions Actually Made - The actuarially computed contributions required to fund normal (current) costs and to amortize unfunded actuarially accrued liabilities (UAAL) are shown compared to the actual funding provided (amounts in millions):

			CONTRIBUTIONS					
			Required		Actual**			
		Active	Employer		Employer		Employee	
System		Member Payroll	%	Amount	%	Amount	%	Amount
LRS:	Normal		33.58%	$ 2.3				
	UAAL		2.93	.2				
	Total	$ 6.8	36.51%	$ 2.5	33.53%	$ 2.3	6.7%	$ .5
SPRS:	Normal		19.00%	$ 16.9				
	UAAL		1.63	1.5				
	Total	$ 89.1	20.63%	$ 18.4	19.20%	$ 17.1	-	$ -
SERS:	Normal		9.40%	$207.4				
	UAAL		(1.19)	(26.3)				
	Total	$2,205.9	8.21%	$181.1	5.42%	$119.5	-	$ -
PSERS:	Normal		4.93%	$286.8				
	UAAL		2.89	168.2				
	Total	$5,818.3	7.82%	$455.0	8.57%	$498.5	3.0%*	$ .1
PJRS:	Normal		14.89%	$ .6				
	UAAL		3.48	.1				
	Total	$ 3.8	18.37%	$ .7	19.68%	$ .7	3.0%	$ .1
JRS:	Normal		15.83%	$ 6.2				
	UAAL		1.00	.4				
	Total	$ 39.1	16.83%	$ 6.6	17.43%	$ 6.8	6.3%	$ 2.4
MRP:	Normal		25.00%	$ .1				
	UAAL		609.00	2.2				
	Total	$ .4	634.00%	$ 2.3	385.7%	$ 1.4	-	$ -

*For those members who elect to participate in the "Member Investment Plan," the rate was 4% through December 31, 1989, 3.9% thereafter; for other members "0."

**Actual employer's contribution excludes contributions for post-employment medical benefits.

The difference between the required employer's contribution and the actual amount contributed is recorded in the general long-term obligations account group.

Changes and their Effect on Required Contributions

The required contribution percent indicated above for the LRS reflects a 2.18% increase due to changes in benefit provisions and the PSERS' required percent had an increase of .60% due to benefit changes and a decrease of .50% due to revised actuarial assumptions and methods. These changes resulted in net increases of $.1 million and $5.8 million in the required contribution for this fiscal year for the LRS and PSERS respectively.

Statutory Funding Requirements - Actual contributions met or exceeded the contributions required by state law except for a deficiency of $43.4 million in the PSERS, $36.4 million in the SERS, $1.1 million in the SPRS, and $.2 million in the LRS.

Note 12 continued on next page.

THREE YEAR HISTORICAL TREND INFORMATION

The table below provides information about progress made in accumulating sufficient assets to pay benefits when they become due. Dollar amounts are in millions.

Fiscal Year	Net Assets Available For Benefits	Pension Benefit Obligation (P.B.O.)	Percent Funded	Unfunded Pension Benefit Obligation	Annual Covered Payroll	Unfunded P.B.O. As % of Covered Payroll	Employer Contribution	Employer Contribution As % of Covered Payroll
LRS								
1987-88	$ 51.5	$ 57.1	90.2%	$ 5.5	$ 5.9	93.2%	$ 1.9	31.83%
1988-89	56.7	63.2	89.6	6.5	6.3	103.5	2.2	34.91
1989-90	61.4	68.1	90.3	6.6	6.8	97.9	2.3	33.53
SPRS								
1987-88	$ 351.3	$ 434.9	80.8%	$ 83.6	$ 82.3	101.6%	$ 16.6	20.10%
1988-89	385.4	465.4	82.8	80.0	85.9	93.1	16.2	18.86
1989-90	415.0	552.4	75.1	137.4	89.1	154.3	17.1	19.20
SERS								
1987-88	$ 3,383.2	$ 3,386.8	99.9%	$ 3.6	$1,945.7	.2%	$ 161.7	8.31%
1988-89	3,655.1	3,785.9	96.5	130.8	2,059.0	6.4	109.2	5.30
1989-90	3,904.8	4,292.8	91.0	388.0	2,205.9	17.6	119.5	5.42
PSERS								
1987-88	$11,142.3	$15,393.9	72.4%	$ 4,251.6	$5,274.2	80.6%	$ 509.4	9.66%
1988-89	12,251.4	17,193.7	71.3	4,942.3	5,399.3	91.5	443.7	8.22
1989-90	13,287.1	19,431.0	68.4	6,143.9	5,818.3	105.6	498.5	8.57
PJRS								
1987-88	$ 15.8	$ 21.1	74.9%	$ 5.3	$ 4.5	117.7%	$ .8	17.80%
1988-89	16.7	22.1	75.7	5.4	3.9	138.5	.7	18.66
1989-90	17.3	22.4	77.2	5.1	3.8	134.6	.7	19.68
JRS								
1987-88	$ 100.4	$ 124.1	80.9%	$ 23.7	$ 34.1	69.5%	$ 6.0	17.10%
1988-89	113.1	133.3	84.8	20.2	37.1	54.4	6.5	17.60
1989-90	125.3	141.5	88.5	16.2	39.1	41.5	6.8	17.43
MRP								
* 1986-87	$ -	$ 20.7	- %	$ 20.7	$ .3	6,015.1%	$ 1.2	348.7%
* 1989-90	-	24.7	-	24.7	.4	6,805.2	1.4	385.7

Historical Trend Information

* Most recent information available. Annual covered payroll for the MRP includes full time members only.

The PBO includes the following amounts for pre-funded medical benefits: LRS - $4.1 million and $3.8 million at 9/30/90 and 9/30/89; SERS - $157.8 million, $103.2 million, and $94.9 million at 9/30/90, 9/30/89, and 9/30/88; PSERS - $3,522.1 million and $2,944.8 million at 9/30/90 and 9/30/89.

GASB Statement #5 requires the disclosure of certain ten year historical trend information. To the extent available, this information is presented in the statistical section of this report. This information is also available from the separately issued financial reports of the retirement systems.

NOTE 13 — EARLY RETIREMENT PLAN

Public Act 3 of 1984 provided for an early retirement incentive program that was available to approximately 3,800 eligible employees in 1984 and 1,964 employees retired under the program. In addition to the basic monthly retirement benefits for which the "80 and out" retirees were eligible, they receive a monthly pension supplement ranging from $240 to $360 until age 62. Payments are made through the State Employees' Retirement Fund, which is reimbursed for the additional costs through increased pension funding rates.

The present value of future benefits to be paid under this plan, including basic benefits through age 60, is recorded in the State's General Long-Term Obligations Account Group using a discount rate of 8%. Fund expenditures are recognized as the payments become due.

The following payments are required by fiscal year (in thousands):

	Gross Liability	Present Value
1990-91	$ 6,168	$ 5,931
1991-92	4,153	3,692
1992-93	2,376	1,953
1993-94	1,057	803
1994-95	395	277
1995-96	89	58
Total	$14,241	$12,717

NOTE 14 — COMPENSATED ABSENCES

Plan Descriptions: Employees accumulate annual leave (vacation) balances to a maximum ranging from 240 to 300 hours. They receive a 100% termination payment upon separation based upon their final rate of pay. Employee sick leave balances accumulate without limit. Termination payments are made only upon separation from State service and only to employees hired prior to October 1, 1980. Payments at retirement or death are based on 50% of the employee's sick leave accumulation times their last rate of pay. When separating for any other reason employees are paid a percentage of their unused sick leave which increases from 0 to 50% depending upon the balance of their sick leave hours.

Accounting Policy: The State has accrued liabilities for compensated absences as required by the GASB. Annual leave is valued at 100% of the balance plus the State's share of social security and retirement contributions. Sick leave is valued, as explained above, at 0 to 50% plus the State's share of social security contributions. The pay rates in effect as of October 1, 1990 are used. Liabilities related to proprietary fund types are recorded in the funds. Liabilities related to governmental fund types are considered "due and payable" and recorded in the fund only for separations or transfers that occur before year-end. The balance of the governmental fund liabilities are recorded in the General Long-Term Obligations Account Group.

The following table summarizes compensated absences liabilities as of September 30, 1990 (in millions):

FUND GROUP	ANNUAL	SICK	TOTAL
Enterprise	$ 4.3	$ 5.0	$ 9.4
Internal Service	1.6	1.7	3.4
General Long-Term Obligations	205.1	221.2	426.3
	$211.1	$228.0	$439.1

NOTE 15 — GENERAL LONG-TERM OBLIGATIONS

A. Bonded Debt

General Obligation Debt

Article 9, Section 15 of the 1963 State Constitution authorizes general obligation long-term borrowing, subject to approval by the Legislature and a majority of voters at a general election. In addition, debt may be incurred without voter approval for the purpose of providing loans to school districts. General Fund appropriations are made to finance debt principal and interest requirements for all general obligation issues except school loan bonds, where only the excess of requirements over loan repayments is provided. General obligation bonds are backed by the full faith and credit of the State.

Note 15 continued on next page.

Revenue Dedicated Debt

State Funds - Long-term bonds have been issued periodically for specific purposes, with the stipulation that financing of debt requirements is to come strictly from designated revenue sources. The transportation related debt is payable solely out of funds restricted for transportation purposes by Section 9 of Article IX of the Michigan Constitution. The State's general credit does not support such issues.

State Building Authority - Revenue bonds have been issued by the State Building Authority to acquire and/or construct various facilities for use by the State or institutions of higher education. Revenue bonds have also been issued to finance equipment capital lease refinancings and acquisitions. These bonds are obligations of the authority and do not constitute direct general obligations of the State. The debt requirements of the bonds are financed through General Fund appropriations, excess bond proceeds, and investment earnings.

Note #18 provides disclosures regarding the long-term debts of the funds and component units in the enterprise fund type.

General obligation and revenue dedicated bonds issued and outstanding (excluding defeased bonds) at September 30, 1990 (expressed in millions) are as follows:

			MATURITIES		AVERAGE INTEREST
GENERAL OBLIGATION DEBT	AMOUNTS ISSUED	OUTSTANDING 9/30/90	FIRST YEAR	LAST YEAR	RATE PERCENTAGE
School Loan Bonds:					
Series VI	$ 7.5	$ 6.0	1988	1995	5.92
1989B Bond Anticipation Notes (1)	1.7	1.7	1989	1990	6.15
1990A Bond Anticipation Notes (1)	2.0	2.0	1990	1990	6.30
Water Pollution:					
Series III	50.0	18.0	1979	1999	4.43
Series IV	80.0	18.0	1973	1999	4.34
Series VI	70.0	12.0	1974	1998	4.56
Series VII	50.0	9.0	1975	1993	4.34
Series VIII	33.0	21.0	1987	1994	9.15
Recreation and Environmental Protection:					
Series 1989 (2)	74.9	76.5	1991	2019	6.92
Great Lakes Protection Fund Bond - 1989	25.0	25.0	1990	1996	6.76
TOTAL GENERAL OBLIGATION DEBT	394.2	189.3			
REVENUE DEDICATED DEBT					
State Funds:					
State Park Revenue Bonds Series I-VIII	19.1	5.6	1963	1996	5.78
Tax Dedicated Bonds:					
Michigan Comprehensive Transportation:					
Series 1985 (Series B Refunding) (3)	57.8	27.2	1985	2011	8.53
Series 1986 (Refunding)	103.5	88.2	1986	2014	7.65
Series 1988 (Series I and II Refunding) (3)	105.1	107.9	1991	2011	7.30
State Trunkline Fund Bonds:					
Series 1983 (Series A and B)	135.0	24.7	1987	1995	9.65
Series 1984	50.0	16.7	1987	1995	9.53
Series 1986 (Refunding)	105.6	100.6	1987	1999	7.34
Series 1989 (Series A) (3)	135.7	136.2	1994	2019	6.97
Series 1989 (Series B Refunding)	9.2	9.2	1992	1995	6.97
TOTAL REVENUE DEDICATED DEBT - STATE FUNDS	721.1	516.8			

Note 15 continued on next page.

	AMOUNTS ISSUED	OUTSTANDING 9/30/90	MATURITIES FIRST YEAR	MATURITIES LAST YEAR	AVERAGE INTEREST RATE PERCENTAGE
State Building Authority:					
1979 Revenue Bonds - Series I	89.4	.9	1982	1999	6.36
1982 Revenue Bonds - Series II	21.0	12.0	1983	1995	8.46
1984 Revenue Bonds - Series I	104.9	87.9	1987	2001	9.38
1985 Revenue Bonds - Series I	4.3	1.7	1986	1996	6.00(4)
1986 Revenue Bonds - Refunding Series I	271.0	239.1	1987	2004	7.03
1986 Revenue Bonds - Refunding Series II	39.7	37.5	1990	2001	6.84
1986 Revenue Bonds - Refunding Series III	105.3	68.5	1987	1999	6.43
1987 Revenue Bonds - Series I	77.3(5)	73.2	1988	2001	5.52
1987 Revenue Bonds - Series II	101.3	83.5	1988	2001	6.70
1988 Revenue Bonds - Series I	78.7(5)	78.2	1989	2004	6.96
1988 Revenue Bonds - Series II	83.7(5)	82.0	1990	2003	6.83
1989 Revenue Bonds - Series I	158.5(5)	162.3	1990	2008	7.15
1989 Revenue Bonds - Series A	19.2(6)	14.7	1990	1994	6.35
1990 Revenue Bonds - Series I	141.5	141.5	1991	2010	6.62
TOTAL STATE BUILDING AUTHORITY DEBT (7)	1,295.8	1,083.6			
TOTAL REVENUE DEDICATED DEBT	2,017.0	1,600.4			
TOTAL GENERAL OBLIGATION AND REVENUE DEDICATED DEBT	$2,411.2	$1,789.7			

(1) The school loan bond anticipation notes are being used to provide financing for loans made to school districts by the School Bond Loan Fund. Payments on these notes will be made from repayments of loans by school districts to the School Loan Bond Redemption Fund (a debt service fund) or, if such repayments are not sufficient, financing will be provided by the General Fund. On October 30, 1990 additional loans totaling $2.9 million were issued.

(2) General obligation bonds for recreation and environmental protection purposes totalling up to $800 million were authorized by the voters in 1988. The series 1989 issue includes capital appreciation bonds and convertible capital appreciation bonds with an ultimate maturity value of $59.7 million at maturity or conversion date. These bonds are recorded in the amount of $23.6 million, which is the accreted value at year-end. These bonds mature or convert to interest bearing bonds by the year 2011. Additional such bonds totalling $.3 million were issued subsequent to September 30, 1990.

(3) The Michigan Comprehensive Transportation Series 1985, Michigan Comprehensive Transportation Series 1988-II, and the State Trunkline Series 1989-A bond issues included capital appreciation bonds ("zero coupon") with an ultimate maturity value of $81.7 million, $48.8 million, and $35.7 million, respectively. These bonds are recorded in the amounts of $17.2 million, $15.6 million, and $11.7 million, respectively, which is the accreted value at year-end. These bonds mature in the years 1995 to 2011, 1998 to 2010, and 2004 to 2009, respectively. The funding for the debt service on these bonds is provided as they mature.

(4) The interest rate for the State Building Authority's 1985 Revenue Bonds is a variable rate calculated as 85 percent of "Bond Buyer Index for 11 General Obligation Bonds" set each December 15 and June 15 for the succeeding six-month periods January 1 to June 30 and July 1 to December 31, respectively. At September 30, 1990, the effective interest rate is 6.0%.

(5) The Series 1987 I, 1988 I and II, and 1989 I State Building Authority bond issues included capital appreciation bonds ("zero coupon") with an ultimate maturity value of $21.0 million, $34.8 million, $24.9 million, and $83.9 million, respectively. These bonds are recorded in the amounts of $13.7 million, $17.0 million, $12.6 million, and $41.5 million, respectively, which are the accreted values at year-end. These bonds mature in the years from 1993 to 2004. The funding for the debt service on these bonds will be provided as they mature.

(6) A portion of the Series 1989 A State Building Authority bond issue ($.5 million) was used for financing equipment in the Telecommunications Revolving Fund and, therefore, was recorded in that fund rather than the General Long-Term Obligations Account Group.

(7) The State Building Authority issued an additional $218.8 million of bonds subsequent to September 30, 1990.

Note 15 continued on next page.

Advance Refundings and Defeasances

The State has defeased certain revenue dedicated bonds by placing the proceeds of new bonds (i.e., the "refunding" bonds in the preceding table) in irrevocable trust to provide for all future debt service on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not recorded as assets or liabilities in these statements and are not included in the other debt tables in this note.

The following table summarizes the defeased bonds outstanding at September 30, 1990 (in millions):

	Amount outstanding
Michigan Comprehensive Transportation:	
Series 1979 A	$ 12.2
Series 1981 B	44.6
Series 1984	56.7
Series 1985 (partial)	25.1
Total	$138.7
State Trunkline Fund Bonds:	
Series 1983	$ 74.9
Series 1984	20.4
Total	$ 95.4
State Building Authority:	
1982 Series I	$ 80.4
1982 Series III	231.7
Total	$312.1

During this fiscal year, the State issued $9.2 million of State Trunkline transportation refunding bonds, which were used to defease $8.5 million of Series 1983 bonds. The average interest rate on the new bonds is 7.0% and the average interest rate on the defeased debt was 9.4%.

The net proceeds of the new bonds after payment of underwriting fees, insurance, and other issuance costs were used to purchase U.S. government securities. The securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 1983 bonds. As a result, the affected bonds are now considered defeased.

The State advance refunded these bonds to reduce its debt service requirements by $.6 million and to achieve an economic gain (difference between the present value of the old and new debt service payments) of $.3 million.

Debt Service Requirements

The following table summarizes debt service requirements for outstanding bonds and bond anticipation notes (in millions):

	STATE FUNDS					STATE BUILDING AUTHORITY	
	GENERAL OBLIGATION		REVENUE DEDICATED		TOTAL PRINCIPAL		
FISCAL YEARS ENDING	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	AND INTEREST	PRINCIPAL	INTEREST
1991	$ 20.5	$ 9.4	$ 19.6	$ 34.1	$ 83.8	$ 57.6	$ 70.1
1992	18.8	8.1	21.7	32.6	81.3	68.6	66.6
1993	19.8	6.9	23.3	30.8	81.0	74.7	62.1
1994	17.2	5.7	28.0	28.9	80.0	82.8	57.6
1995	18.3	4.4	30.4	26.4	79.7	68.2	52.2
1996-2019	130.4	35.0	515.2	196.2	877.0	811.1	277.8
Total	$225.3	$69.7	$638.5	$349.3	$1,283.0	$1,163.3	$586.5

Note 15 continued on next page.

Interest to maturity for the State Building Authority will be significantly smaller than the amount shown in the above table because the bonds are callable and most of the bonds will be called prior to the final scheduled maturity date. The retirement of these bonds varies from project to project, as each bond issue is related to a specific project and any excess borrowing and accrued investment earnings are restricted to that project and debt service on the related bonds. State Building Authority debt service fund unreserved fund balances totaled $234.1 million at year-end. Most of this represents investments related to completed projects that will be used for debt service on the projects' bonds.

Some of the bonds of the State Building Authority carry variable interest rates and interest on these has been projected using an average interest rate.

B. Other General Long-Term Obligations

Capital Leases - Capitalized lease liabilities are described in more detail in Note #16. The leases are attributable to operations of the General Fund and two special revenue funds (the State Trunkline Fund and Michigan Employment Security Act - Administration Fund).

Compensated Absences - This liability is described in Note #14.

Claims and Judgments - The liability recorded for claims and judgments includes projected amounts payable for workers' compensation claims by State employees and an allowance for litigation losses. The gross amount of workers' compensation liability ($131.7 million) has been recorded at its discounted present value ($90.8 million).

The allowance for estimated liability for litigation losses ($224.9 million) includes projections for highway related negligence cases based upon historical loss ratios. It also includes amounts for other litigation where it is considered more than a reasonable possibility that a loss may be incurred. Where a range of potential loss exists, the amount recorded is based upon the expected minimum amount that will be lost if the State does, indeed, lose. In one case where the State has more than a reasonable possibility of a loss, the minimum liability is not reasonably estimable and no liability has been recorded. It should be stressed, however, that the State continues to vigorously contest all of these claims and that the State may incur no liability in the individual cases involved. Therefore, the allowance for litigation losses may be overstated (to the extent that losses do not occur) or understated (if the State losses exceed the projected minimums which have been recorded). The maximum potential loss on the allowance for estimated litigation losses is not considered reasonably measurable.

Fund expenditures for workers' compensation and settled law suits with long-term repayment provisions are recognized on the "due and payable" basis. Other losses are recognized as fund liabilities in the year of settlement, except that cases settled shortly after year-end are recognized as fund liabilities using a sliding materiality scale that increases from recognizing all losses in early October to recording only settlements in excess of $1.5 million after November 30.

Early Retirement Benefits - The State's early retirement program is described in Note #13.

Pension Funding Deficiency - Current Year - As disclosed in Note #12, the State's contribution to three pension funds totalled $64.0 million less than the required amounts for the 1989-90 fiscal year.

Unrecorded Limited Obligation Debt - Certain State financing authorities have issued limited obligation revenue bonds which are not recorded as liabilities in these statements because the borrowings are, in substance, debts of other entities. Typically, these borrowings are repayable only from the repayment of loans, unloaned proceeds and related interest earnings, and any collateral which may be provided.

The Michigan Higher Education Facilities Authority (MHEFA) issues limited obligation bonds to finance loans to private nonprofit institutions of higher education for capital improvements. As of September 30, 1990, the MHEFA had bonds outstanding of $70.0 million. The Michigan Family Farm Development Authority (MFFDA) issues these types of bonds to foster the development of new farm operations. As of September 30, 1990, the MFFDA had bonds outstanding of $3.9 million.

Note 15 continued on next page.

The Michigan Municipal Bond Authority (MMBA) was created in 1985-86 to assist local units of government in reducing their short-term and long-term financing costs. The MMBA pools the borrowing needs of various units and issues limited obligation debt. Proceeds are used to purchase local unit obligations or to make loans to local units. The MMBA also converted $19.3 million of its 1986 A Series Local Government Loan Program Revenue Bonds to Michigan State Building Authority local project bonds, which were used to finance certain State equipment acquisitions. Any program investments, as well as loan repayments by the local units, related to these borrowings are placed with outside trustees. Repayments on the borrowings of the MMBA will be made only from local unit and State Building Authority loan repayments, investment earnings, or future revenues of the local units which may have been pledged as backing for their individual borrowings. Pledged revenues of the local units can include revenues from State sources, including distributions of State shared revenues, as well as other local sources such as property taxes. During 1989-90, the MMBA issued $93.3 million of short-term notes and $284.2 million of bonds. At September 30, 1990, loans outstanding to the local units total $697.1 million, including $19.3 million in State Building Authority Bonds held by the MMBA.

C. Changes in General Long-Term Obligations

Changes in general long-term obligations (in millions) for the year ended September 30, 1990 are summarized as follows:

	GENERAL OBLIGATION DEBT	REVENUE DEDICATED DEBT - STATE FUNDS	REVENUE DEDICATED DEBT - STATE BUILDING AUTHORITY	CAPITAL LEASE OBLIGATIONS
Bonds and Capital Lease Obligations:				
Balance - Beginning, as previously reported	$106.4	$388.0	$ 993.2	$131.6
Adjustments to beginning balance*	-	7.3	4.9	3.5
New bond issues/bond anticipation notes	103.7	145.0	141.5	-
Accretion on capital appreciation bonds	1.5	3.1	5.6	-
Capital lease additions	-	-	-	62.9
Bond principal retirements/capital lease payments and deletions	(22.4)	(26.7)	(62.0)	(30.7)
Balance - Ending	$189.3	$516.8	$1,083.3	$167.3

*As explained more fully in Note #4, beginning balances for bonds payable were restated to reflect an accounting change in the method of reporting capital appreciation bonds.

	COMPENSATED ABSENCES LIABILITIES	CLAIMS AND JUDGMENTS	EARLY RETIREMENT BENEFITS	PENSION FUNDING DEFICIENCY-CURRENT YEAR
Other obligations:				
Balance - Beginning	$387.0	$291.8	$19.9	$ 60.6
Net increase (decrease) in estimated liabilities	39.3	23.9	(7.1)	87.8*
Balance - Ending	$426.3	$315.7	$12.7	$148.4

*Includes the cumulative unfunded liability for the military retirement plan of $23.8 million, which was not included in this liability in prior years.

NOTE 16 — LEASES

The State leases various assets under noncancelable leasing arrangements. Leases which constitute rental agreements are classified as "operating" leases and the resulting expenditures are recognized as incurred over the lease term. Leases which are, in substance, purchases are classified as "capital" leases and the resulting assets and liabilities are recorded at lease inception. For capital leases in governmental funds, "other financing sources" and "expenditures" are also recorded at lease inception. Lease payments are recorded as "debt service" expenditures. (As explained in Note #3, for budgetary purposes lease payments are only reported as expenditures when paid.)

Most leases have cancellation clauses with 1-6 month notice requirements in the event that funding is not available. For reporting purposes, such cancellation clauses are not considered in the determination of whether a lease is cancelable because the likelihood that such clauses will be exercised is considered remote.

Some lease agreements include renewal or purchase options. The effect of such options is reflected in the minimum lease payments only if it is considered almost certain that the option will be exercised. Some lease agreements include escalation clauses or other contingent rentals.

The State has entered into a few installment purchase agreements. Because the amounts involved are immaterial, and the accounting treatment is similar, such agreements are reported together with capital leases.

Leases which exist between the State and the State Building Authority are not recorded as leases for financial reporting purposes. For reporting purposes, the leases are eliminated and the bonds of the Authority are included in the general long-term obligations account groups. Future payments to the Authority are, therefore, not included in the schedules of lease commitments below. Note #15 provides information on the amount of Authority's bonds outstanding and a schedule of debt service requirements.

Governmental Fund Types

Rental expenditures incurred under operating leases totalled $23.5 million during fiscal year 1989-90. Payments for capital lease principal, interest, and executory costs totalled $25.4 million, $15.8 million, and $1.0 million, respectively.

A summary of the noncancelable operating and capital lease commitments to maturity follows (in millions):

Year Ended September 30	Operating Leases	Capital Leases			
		Principal	Interest	Executory Costs	Total
1991	$ 19.7	$ 26.5	$ 20.0	$ 2.3	$ 49.0
1992	14.3	18.4	16.4	2.3	37.1
1993	8.5	11.7	14.9	2.3	28.9
1994	5.3	9.7	13.7	2.3	25.9
1995	2.8	8.2	12.7	2.3	23.4
1996-2000	3.5	33.5	50.0	12.6	96.2
2001-2005	.5	28.2	32.0	10.0	70.2
2006-2020	.7	30.8	11.2	8.7	50.8
Total	$ 55.8	$167.3	$171.4	$ 43.1	$381.9

All of the above capital leases are related to governmental fund operations and the total $167.3 million of capital lease principal is recorded as part of the General Long-Term Obligations Account Group.

The historical cost of assets acquired under capital leases included in the General Fixed Assets Account Group at September 30, 1990 follows (in millions):

Buildings	$195.4
Equipment	46.0
Total	$241.5

Note 16 continued on next page.

Proprietary Fund Types

Rental expense incurred under operating leases totalled $7.5 million during fiscal year 1989-90. Payments for capital lease principal and interest totalled $4.0 million and $1.1 million, respectively.

A summary of the noncancelable operating and capital lease commitments to maturity follows (in millions):

Year Ended September 30	Operating Leases	Capital Leases		
		Principal	Interest	Total
1991	$ 8.6	$ 5.0	$ 1.2	$ 6.2
1992	3.1	5.0	.9	6.0
1993	2.8	4.6	.5	5.2
1994	2.4	2.1	.1	2.3
1995	2.0	.3	.0	.4
1996-2000	8.3	.4	.0	.5
2001-2005	5.7	-	-	-
2006-2010	4.7	-	-	-
Total	$38.1	$17.7	$ 3.0	$20.8

All of the above capital leases are related to proprietary fund operations and the capital lease principal is recorded as a liability in the respective funds as follows (in millions):

Enterprise Funds.....	$ 4.8
Internal Service Funds.....	12.9
Total.....	$17.7

The assets acquired under capital leases are recorded as fund assets as follows (in millions):

	Enterprise Funds	Internal Service Funds
Buildings.....	$ 2.8	$ -
Equipment.....	4.0	20.6
Total.....	$ 6.8	$20.6
Accumulated Depreciation....	2.2	6.7
Net Buildings and Equipment.	$ 4.6	$13.8

NOTE 17 — ADVANCES FROM FEDERAL AGENCIES

As of September 30, 1990, the Michigan Unemployment Compensation Fund (MUCF), an expendable trust fund, had a liability to the federal government of $602.5 million for amounts borrowed to pay unemployment compensation, as compared to $781.5 million at September 30, 1989. On the balance sheet, the portion expected to be repaid within 12 months ($185.0 million) is classified as a current liability which is included in the "Accounts payable and other liabilities" line. The amount expected to be outstanding at September 30, 1991 ($417.5 million) is reported as a long-term liability on the "Advances from federal agencies" line. The federal advance is not interest bearing; however, as explained in Note #9, the outstanding advance balance does reduce earnings on the MUCF's equity in a U.S. Treasury trust fund.

NOTE 18 — LOTTERY PRIZE AWARDS, BONDS, AND OTHER LIABILITIES - ENTERPRISE FUND GROUP

Lottery Prize Awards Payable

The State Lottery Fund makes long-term prize awards for certain of its games, most notably the lotto games. Liabilities related to these deferred prize awards are recorded at their present value using discount rates ranging from 6% to 8.5%. The liquidation of these liabilities is provided for by investment in U.S. Treasury deep discount bonds and in the State's common cash pool. The future payments for prize awards payable are summarized as follows (in millions):

Twelve months ending September 30:	
1991	$ 85.8
1992	67.5
1993	67.2
1994	66.7
1995	66.3
1996 through 2000	326.6
2001 through 2005	313.1
2006 through 2010	120.6
2011 through 2015	3.4
2016 through 2020	2.9
Later years	4.9
Total	1,125.7
Less unamortized discount	(483.9)
Total at present value	$ 641.7

Public Act 239 of 1972 requires that, as nearly as practicable, 45% of gross ticket revenue shall be allocated for prize awards. The prize structure for certain games being played exceeded this percentage; accordingly, additional amounts have been allocated for prize awards. The additional amounts approximated $31.5 million in fiscal year 1989-90. More detailed information on the State Lottery Fund is available in the fund's separately issued audited financial statements, which are prepared quarterly.

Bonds Payable

All of the bonds payable in the enterprise fund group are legal obligations of component units and they are not general obligations of the State. The following summarizes bonds payable (net of discounts) by component unit (in millions):

	MSHFA	MHESLA	MISPC	MSF	MSHDA	TOTAL
Bonds Payable...	$1,690.5	$ 206.6	$ 1.4	$ 14.8	$2,026.0	$3,939.5

The following briefly describes these debts, which are more fully explained in each unit's separately issued financial statements:

Note 18 continued on next page.

Michigan State Hospital Finance Authority (MSHFA) - The bonds of this authority are limited obligation bonds which carry interest rates ranging from 5% to 15.75%. The bonds are repayable solely from loan repayments, investment earnings, and retained bond proceeds. The following table summarizes the debt service requirements of this authority as of its year-end of June 30 (in millions):

Fiscal Year	Principal	Interest	Total
1990-91	$ 38.6	$ 143.6	$ 182.2
1991-92	37.0	142.1	179.2
1992-93	39.4	139.5	178.9
1993-94	45.0	135.4	180.5
1994-95	76.9	130.4	207.4
Total five years	237.0	$ 691.3	$ 928.4
Five years ending June 30, 2000	263.9		
Ten years ending June 30:			
2010	387.2		
2020	849.2		
	1,737.5		
Less unamortized discount	(46.9)		
Total principal	$1,690.5		

The amounts reported as bonds payable in these statements and in the above table do not include in substance defeased bonds, which amounted to $847.1 million as of June 30, 1990. The Authority recognizes no gains or losses on these defeasances, as these are passed on to the hospitals involved.

Subsequent to year-end, one hospital terminated operations and ceased making payments to the Authority. The $4.6 million in related bonds and interest payable is not an obligation of the Authority or the State and are payable solely from mortgage notes receivable ($3.8 million) and cash and investments ($.8 million) related to the hospital.

Michigan Higher Education Student Loan Authority (MHESLA) - The bonds of this authority are revenue bonds which carry interest rates ranging from 5.75% to 7.6%. The following table summarizes their debt service requirements on these bonds (in millions):

Fiscal Year	Principal	Interest	Total
1990-91	$ 2.8	$ 13.9	$ 16.7
1991-92	6.4	14.1	20.6
1992-93	9.7	13.8	23.6
1993-94	14.0	13.3	27.4
1994-95	13.7	12.5	26.3
Total five years	46.8	67.9	114.8
1995-2015	159.7	129.7	289.5
	$206.6	$197.7	$404.3

Mackinac Island State Park Commission (MISPC) - The commission's bonds are revenue bonds which carry interest rates ranging from 6.4% to 7.5%. Annual principal and interest maturities for the next five years approximate $155 thousand annually; debt service requirements after 1994-95 total $2.4 million, with the final payments due in 2010. The amounts reported as bonds payable in these statements do not include $445 thousand of outstanding bonds which were defeased in prior fiscal years.

Michigan Strategic Fund (MSF) - The bonds of the MSF are limited obligation revenue bonds, which carry an average interest rate of 11.5%. The bonds are repayable solely from distributions of the Michigan Natural Resources Trust Fund. The following table summarizes the debt service requirements on these bonds (in millions):

Fiscal Year	Principal	Interest	Total
1990-91	$ 1.9	$ 1.7	$ 3.6
1991-92	1.8	1.5	3.3
1992-93	1.9	1.3	3.2
1993-94	9.0	1.0	10.0
Total	$14.8	$ 5.5	$20.3

The MSF also issues industrial development revenue bonds ($762.9 million as of September 30, 1990) which are not recorded as liabilities. These borrowings are, in substance, debts of other entities and financial transactions are handled by outside trustees.

Note 18 continued on next page.

Michigan State Housing Development Authority (MSHDA) - The bonds of this authority are revenue bonds which carry effective interest rates ranging from 5.74% to 13.99%. The following table summarizes the debt service requirements of this authority as of its year-end of June 30 (in millions):

Fiscal Year	Principal	Interest	Total
1990-91	$ 53.9	$ 148.1	$ 202.0
1991-92	61.0	143.0	204.1
1992-93	59.2	138.3	197.5
1993-94	56.8	134.6	191.5
1994-95	62.6	129.8	192.5
Total five years	293.7	693.9	987.7
1995-2023	1,747.3	1,796.6	3,543.9
	2,041.0	$2,490.6	$4,531.7
Less unamortized discount	(14.9)		
Total principal	$2,026.0		

In 1985 the legislature authorized the MSHDA to issue up to $400.0 million of limited obligation bonds to finance multi-family housing projects. Such bonds are not general obligations of the authority but are secured solely by revenues and property derived from or obtained in connection with the housing projects. Thus, these bonds are considered no commitment debt and, therefore, are not reflected as liabilities in either the financial statements or the above table. At June 30, 1990, limited obligation bonds had been issued totalling $189.5 million, of which three issues totalling $31.2 million had been retired.

On January 2, 1990, the authority issued bonds in the amount of $38.0 million. The proceeds of these bonds, together with other available funds of the authority, were used to call previously issued bonds in the amount of $43.6 million. The authority recorded a loss of $.9 million, consisting primarily of a call premium of $1.3 million reduced by the gain on the sale of related capital reserve fund investments of $.3 million, as a result of the early retirement of these bonds. It is not possible to calculate a meaningful amount for the interest savings that will be realized from the refunding because the refunding bonds have substantially shorter maturities than the bonds that were refunded.

Other Liabilities

Accident Fund of Michigan (AFOM)

The AFOM provides workers' compensation insurance to approximately 37,000 Michigan employers. It is reported using the accounting principles applicable to public entity risk pools, which are very similar to those used by private insurers. Claims and claims adjustment expenses are recorded as incurred. Accrued liabilities for such expenses totalled $490.9 million as of September 30, 1990 and include provisions for claim adjustment expenses. These liabilities are reported at gross, with no discounting. Other liabilities of the AFOM include a premium deficency reserve ($25.0 million) and dividends payable ($25.0 million.)

The AFOM also provides claims processing for workers' compensation claims by State employees and certain public colleges and universities. These transactions are not reported as revenues and expenses of the AFOM nor are future claims for these transactions considered as part of the AFOM's accrued liabilities for claims payable. As described in Note #15, the State's liability for workers' compensation claims by its employees is reported in the General Long-Term Obligations Account Group.

The AFOM is not a member of the Michigan Property and Casualty Guaranty Association and neither the State nor the Association is liable if the AFOM becomes insolvent. The AFOM has, however, reinsured itself to minimize losses arising from catastrophic claims. Additional detailed disclosures regarding the AFOM are available in its separately issued audited fiancial statements.

Michigan Education Trust (MET) - The MET offers contracts which, for actuarially determined amounts, guarantee future tuition at State institutions of higher education. Contract provisions also allow the benefits to be used at private or out-of-state institutions, with the amount provided being based upon rates charged by the State's public institutions. The tuition guarantee is made by MET as a separate legal entity and these contracts are not considered obligations of the State. The Legislature is not obligated to provide appropriations should losses occur and the statutes and contracts provide for refunds to the participants if MET becomes actuarially unsound. Liabilities have been recorded on the balance sheet for the amount of the actuarial present value of future tuition benefit obligations.

Note 18 continued on next page.

The actuarial report on the status of MET as of September 30, 1990 for the 1989 enrollment period shows the program is actuarially sound. The report shows the actuarial present value of future tuition benefit obligations to be $343.5 million, as compared to the actuarial value of assets available of $357.3 million. The actuarial assumptions used include: a projected tuition increase rate of 7.3%; an investment yield of 9.75%; and, a projected tax rate of 34%. An open enrollment period ended subsequent to September 30, 1990 and additional contracts totalling approximately $21.5 million were issued. In addition, MET has committed to issue an additional 1,850 contracts for approximately $18 million to be paid on the installment basis over the next ten years.

Michigan State Housing Development Authority (MSHDA) - Long-term liabilities of the MSHDA include $204.7 million of funds held in escrow.

NOTE 19 — DEFERRED COMPENSATION PLANS

The State has established two deferred compensation plans for its employees. Both are administered by the Department of Civil Service and the State does not make any contribution to either. These plans and the accounting policies applied to each are described below.

Section 457 Plan:

Created in accordance with Internal Revenue Code Section 457, this plan is available to all State employees to permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The plan is accounted for in the State Employees' Deferred Compensation Fund I (457), an agency fund.

Employee contributions are recognized as increases in fund assets and liabilities. Benefits are recognized as decreases in fund assets and liabilities when paid. The fund is primarily invested in guaranteed investment contracts with insurance companies which are valued at cost plus accrued interest. This is also the method used to value a participant's interest in the plan. Short-term investments are held in the common cash pool. Investment earnings, net of administrative charges, are credited to the participants based upon their balances in the plan.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property of the State (without being restricted to the provisions of benefits under the plan), subject only to the claims of the State's general creditors. Participants' rights under the plan are equal to those of general creditors of the State in an amount equal to the value of the deferred account for each participant. The State believes that it is unlikely that it will use the assets to satisfy the claims of other general creditors in the future.

It is the opinion of the State's legal counsel that the State has no liability for losses under the plan, unless it fails to discharge its duty to exercise due care that would be required of an ordinary prudent investor.

Section 401k Plan:

The State also offers a plan created in accordance with Internal Revenue Code Section 401k. This deferred compensation plan is accounted for in the State Employees' Deferred Compensation Fund II (401k), an expendable trust fund. The deferred compensation is not available to employees until termination, retirement, death, financial hardship, or attainment of 59 1/2 years of age. The plan does, however, include loan provisions. Unlike the section 457 plan, this plan's assets are not subject to the claims of the State's general creditors.

Employee participants are offered two basic options for the investment of their contributions and accumulated earnings. They may choose to participate in a State administered guaranteed investment contract option or they may choose to self direct their funds within a group of mutual funds. Employees may use both options and they can, at periodic intervals, transfer funds between the two options.

The fund balance of the fund represents net assets available for plan benefits. Employee contributions are recognized as revenue; benefits are recognized as expenditures when paid. Short-term investments are held in the State's common cash pool. Investment earnings, net of administrative charges, are credited to the participants based upon their balances in the plan. Loans to participants are recorded as assets.

Investments in guaranteed investment contracts are valued at cost plus accrued interest, which is the same basis as is used for determining each participant's interest in the plan under this option. Mutual fund investments are valued at market, with the net of both realized and unrealized gains and losses shown as miscellaneous revenue. Mutual fund investments are valued at market, rather than cost, because each participant's interest under this option is based upon market. Also, the nature of the investments makes it infeasible to use the cost method, as the records necessary to determine cost are not available.

NOTE 20 — INTERFUND RECEIVABLES AND PAYABLES

In the following table, the most significant current interfund receivable and payable balances are listed by individual fund. Other funds' balances are shown in total for each fund type. On the balance sheet these balances are presented as "Amounts due from other funds" and "Amounts due to other funds." Not included in the table below are long-term interfund receivables ($107.1 million) and payables ($109.8 million). These long-term items, classified on the balance sheet as interfund advances, do not agree because of an advance made to the State Treasurer's Escrow and Paying Agent Fund (recorded at $86.4 million) from the Michigan State Hospital Finance Authority (recorded at $83.7 million), which has a different (June 30) year-end.

	INTERFUND RECEIVABLES (In Thousands)	INTERFUND PAYABLES (In Thousands)
GOVERNMENTAL FUND TYPES		
General Fund	$428,944	$ 12,862
Special Revenue Funds:		
State Trunkline Fund	32,226	5,007
Michigan Transportation Fund	–	38,260
Comprehensive Transportation Fund	8,466	–
Environmental Protection Bond Fund	–	18,877
School Aid Fund	–	152,400
State Building Authority Advance Financing Fund	–	19,564
State Building Authority	–	1,851
Other Special Revenue Funds	235	549
	40,929	236,510
Debt Service Funds:		
State Building Authority	1,869	148
Other Debt Service Funds	6	–
	1,875	148
Capital Projects Funds:		
State Building Authority Advance Financing Fund	–	236,352
Other Capital Projects Funds	–	10
	–	236,362
PROPRIETARY FUND TYPES		
Enterprise Funds:		
Accident Fund of Michigan	–	5,753
Michigan State Hospital Finance Authority	1,428	55
Michigan Higher Education Assistance Authority	2,106	–
Michigan Strategic Fund	–	1,937
Michigan State Housing Development Authority	2,800	803
Other Enterprise Funds	220	519
	6,555	9,068
Internal Service Funds:		
Motor Transport Revolving Fund	–	19,838
Office Services Revolving Fund	–	1,703
Telecommunications Revolving Fund	–	922
State Sponsored Group Insurance Fund	22,911	–
State Water Pollution Control Loan Fund	18,877	246
Other Internal Service Funds	–	389
	41,788	23,100
FIDUCIARY FUND TYPES		
Trust and Agency Funds:		
State Police Retirement Fund	881	–
State Employees' Retirement Fund	7,499	–
Michigan Unemployment Compensation Fund	1,222	1,319
Michigan Employment Security Act Contingent Fund	1,319	–
Transportation Related Trust Funds	–	2,186
Miscellaneous Trust Accounts Fund	5,977	11,211
Other Trust and Agency Funds	11	–
	16,911	14,717
Total Current Interfund Receivables and Payables All Funds*	$537,005	$532,770

* Interfund receivables and payables, as well as operating transfers in and out, do not agree because the Michigan State Housing Development and the Michigan State Hospital Finance Authorities have June 30 fiscal year-ends.

NOTE 21 — INTERFUND COMMITMENTS

Transfers from the Michigan Veterans' Trust Fund

When the Michigan Veterans' Trust Fund, a special revenue fund, was created in 1946, it was provided $50.0 million to be reserved for investment purposes. In subsequent years, $49.9 million of the reserve was returned to the General Fund in accordance with P.A. 119 of 1976 and P.A. 353 of 1980. The acts include provisions for making future annual General Fund appropriations to replenish the investment reserves and to make up for lost interest income. Such provisions, however, are not considered legally binding on future legislatures.

During fiscal year 1989-90, $.2 million was appropriated to replenish reserves. Through September 30, 1990, $32.1 million had been returned by the General Fund. The balance of the $49.9 million ($17.8 million) is considered a budgetary commitment subject to appropriation. It is, therefore, not recorded as an asset of the special revenue fund or a liability of the General Fund.

Mackinac Bridge Authority

The Mackinac Bridge Authority, which is reported as a special revenue fund, has over the years received $75.3 million of subsidies for operations ($12.3 million) and debt service ($63.0 million). These subsidies were provided by the State Trunkline and Michigan Transportation funds, respectively, both of which are special revenue funds.

State statutes require that the Authority continue charging bridge tolls and begin repaying the State funds for the subsidies provided. These repayments would continue until such time as the subsidies have been completely returned. The Authority has not recorded a liability and the State funds have not recorded receivables for these subsidies because the reimbursements are contingent upon future net revenues, there is no repayment schedule, and the repayment commitment is long-term and budgetary in nature. As of September 30, 1990, no repayments have been made.

NOTE 22 — EQUITY TRANSFERS AND CHANGES IN CONTRIBUTED CAPITAL

Equity Transfers

As described below, several equity transfers were made during 1989-90.

The General Fund provided a $.6 million contribution of fixed assets and the Michigan Natural Resources Trust Fund (a special revenue fund) made a $.8 million contribution of land to the Michigan State Fair Revolving Fund (an enterprise fund). These are reported as equity transfers in the General and special revenue funds and as contributed capital additions in the enterprise fund group.

Within the special revenue fund group, an equity transfer of $7 thousand was recorded to close out the remaining balances in the Comprehensive Transportation Bond Construction fund to the Comprehensive Transportation Fund. Another equity transfer of $7 thousand was made from the 1983 State Trunkline Bond Proceeds Fund (a special revenue fund) to the Combined State Trunkline Bond and Interest Redemption Fund (a debt service fund) in order to close out the remaining balances in the proceeds fund.

An equity transfer of $19.6 million was made from the Environmental Protection Bond Fund (a special revenue fund) to provide revolving loan capital for the newly created State Water Pollution Control Loan Fund (an internal service fund) to help capitalize this new fund.

An equity transfer of $5.7 million was made from the Accident Fund of Michigan (an enterprise fund) to the Miscellaneous Trust Accounts Fund (an expendable trust fund) to establish the new Accident Fund of Michigan Surplus Escrow Fund account.

Note 22 continued on next page.

Changes in Contributed Capital

The following table summarizes contributed capital transactions made during the year (in thousands):

	Enterprise Funds			Internal Service Funds			
	Michigan State Fair Revolving Fund	Michigan Higher Education Assistance Authority	Total	Correctional Industries Revolving Fund	Motor Transport Revolving Fund	State Water Pollution Control Loan Fund	Total
Beginning balance.....	$4,259	$1,516	$5,775	$1,373	$8,444	$ -0-	$ 9,818
Equity transfers from other funds.....	1,434	-	1,434	-	-	19,640	19,640
Federal grants.....	-	-	-	-	-	3,779	3,779
Ending Balance.....	$5,693	$1,516	$7,209	$1,373	$8,444	$23,419	$33,237

Contributed capital was recorded by the State for the first time as of the beginning of the 1986-87 fiscal year. The amounts contributed prior to 1986-87 are not reasonably determinable, except for the amounts related to the Motor Transport Revolving Fund and the Michigan Higher Education Assistance Authority. To the extent contributions occurred in other funds prior to 1986-87, the amounts are reflected in retained earnings.

NOTE 23 — RETAINED EARNINGS

Reservations:

Certain amounts of retained earnings in the enterprise fund group are reserved based upon restrictions placed upon the use of funds by external parties. The amounts as of September 30, 1990 are as follows (in millions):

Accident Fund of Michigan.....	$ 11.4
Michigan Higher Education Student Loan Authority.....	2.6
Mackinac Island State Park Commission.....	1.1
Michigan Strategic Fund.....	41.5
Michigan State Housing Development Authority.....	123.6
Total.....	$180.5

Fund Deficits:

Except as described below, all funds and component units reported in the proprietary type funds have positive retained earnings balances. The Low-Level Radioactive Waste Authority, an enterprise fund, has a deficit of $6.6 million representing losses accumulated in the development stage. The Authority's ability to continue as a going concern is dependent upon continued funding by the Midwest Interstate Low-Level Radioactive Waste Commission and assessments on Michigan Utilities. Whether such funding will be available in the future is uncertain. The Department of Natural Resources Magazine Fund, an enterprise fund, has an accumulated deficit of $1.0 million. The State Water Pollution Control Loan Fund, an internal service fund, has an accumulated deficit of $17 thousand.

NOTE 24 — FUND BALANCES

Reservations:

The line entitled "reserved fund balance" on the combined balance sheet at September 30, 1990 consists of the following (in millions):

	FUND TYPES				
	General	Special Revenue	Debt Service	Capital Project	Pension Trust
Budgetary carry-forwards:					
Encumbrances	$ 94.9	$ 58.3	$ -	$ -	$ -
Restricted revenues	318.9	47.9	.7	-	-
Multi-year projects (capital outlay and work projects)	219.6	250.8	-	-	-
Construction and debt service	-	27.5		9.4	-
Revolving loan programs	2.2	.7	-	-	-
Funds held as permanent investments	-	66.7	-	-	-
Noncurrent assets	64.3	114.7	77.9	-	-
Pension benefits	-	-	-	-	19,157.6
Total Reserved Fund Balances	$700.2	$566.9	$ 78.7	$ 9.4	$19,157.6

Budgetary carry-forwards represent unused spending authorization which continues to be available in the new year. The $219.6 million of multi-year projects in the General Fund includes $168.4 million of capital outlay and $51.2 million of work project authorizations. Such amounts are reserved because the funds are legally segregated for a specific purpose.

Construction and debt service reserves represent amounts which are restricted for State Building Authority projects that are in process.

Reserves for revolving loan programs represent fund balance which has been appropriated for the purpose of making loans that will encourage economic development in the State. Repayments on such loans are authorized to be used for the making of new loans.

Funds held as permanent investment represent amounts that have been legally restricted for the purpose of providing a long-term source of investment income. These investments can include either specific investments held for the fund or portions of the fund's share of the common cash pool.

Reserves are recorded for noncurrent assets if they do not represent current financial resources available for appropriation. No reservation is recorded for noncurrent assets if doing so would result in a duplicate reduction of unreserved fund balance. This occurs if the noncurrent assets have already been reserved for some other reason or if they are related to revenues that have been deferred because of not being "available".

The State does not record any reservations in expendable trust funds because the balances are all considered available for the purposes of the various funds. Also, no reservations of fund balances are recorded in single purpose special revenue, debt service, and capital project funds. From the overall State perspective, the unreserved fund balances of funds other than the General Fund are restricted by the nature of the fund type and they are not available for general State purposes.

Fund deficits:

Except for the funds described below, all governmental and fiduciary funds have positive ending unreserved fund balances.

The General Fund unreserved fund balance deficit of $310.4 million occurred primarily because expenditures exceeded authorized amounts. (Note #3 shows overexpenditures by department.) State law requires that if such a year-end deficit occurs, it must be addressed in the subsequent year's budget.

The State Park Improvement Fund is a special revenue fund which had an unreserved fund deficit of $1.6 million. This deficit was caused by multi-year capital outlay appropriations totaling $4.1 million which were made in anticipation of future year revenues.

Two State Building Authority Advance Financing Funds account for monies expended by the State to begin projects for which bonds have not yet been issued. The State Building Authority Advance Financing Capital Projects Fund recorded a year-end deficit of $250.7 million; the State Building Authority Advance Financing Special Revenue Fund recorded a year-end deficit of $31.6 million. These deficits are to be financed by future bond sales. Subsequent to September 30, 1990, the Authority issued $218.8 million of bonds, of which $182.2 was used to reimburse the State.

NOTE 25 — SEGMENT INFORMATION FOR ENTERPRISE FUNDS

State Funds - The State operates six enterprise funds. The Liquor Purchase Revolving Fund accounts for the State's activities in the distribution of liquor at the wholesale and retail levels. The fund is also used to account for certain liquor taxes that generate revenue for other State activities. Public Act 431 of 1984 requires that the net income of the fund be transferred to the General Fund. Appropriation acts have also been passed to authorize transfers from the fund as a funding source for other specified purposes. The legality of the provisions requiring these transfers, which amounted to $23.4 million, is being questioned because the statutes governing this fund have not been amended.

The State Lottery Fund accounts for the State lottery games and regulation of bingo and charity games. Profits from the lottery are transferred to the School Aid Fund and profits from regulation of bingo and charity games are transferred to the General Fund.

The Low-Level Radioactive Waste Authority accounts for the activities necessary to establish and operate a waste disposal facility in Michigan to serve seven midwestern states. The deficit in fund equity represents the accumulated net costs incurred while the Authority is in the development stage.

The Michigan State Fair Revolving Fund records the results of the annual State Fair and periodic rental of fairground facilities. The General Fund provides periodic contributions for the improvement of facilities. Public Act 431 of 1984 also requires that the net income of this fund be transferred to the General Fund.

The Department of Natural Resources Magazine Fund accounts for the production and sale of various publications.

The Accident Fund of Michigan provides insurance coverage for workers' compensation losses.

Segment information for the fiscal year ended September 30, 1990 (in millions) was as follows:

	LIQUOR PURCHASE REVOLVING FUND	STATE LOTTERY FUND	LOW-LEVEL RADIO-ACTIVE WASTE AUTHORITY	MICHIGAN STATE FAIR REVOLVING FUND	DEPARTMENT OF NATURAL RESOURCES MAGAZINE FUND	ACCIDENT FUND OF MICHIGAN	SUBTOTAL STATE FUNDS
Operating Revenues.....	$ 429.4	$1,269.6	$ -	$ 3.6	$ 1.7	$ 225.7	$1,930.3
Depreciation and Amortization Expense.....	.8	44.1	-	.5	-	2.6	48.2
Operating Income (Loss)....	63.3	490.3	-	(1.6)	-	(62.9)	489.1
Tax Revenues.....	7.4	-	-	-	-	-	7.4
Operating Transfers In.....	-	-	1.6	.6	-	-	2.3
Operating Transfers Out:							
Statutory Net Income Transfer.....	(46.7)	(490.0)	-	-	-	-	(536.8)
Administrative General Fund Costs.....	(16.7)	(.2)	-	-	-	-	(17.2)
Other.....	(7.0)	-	-	-	-	-	(7.0)
Operating Transfers Out.	(70.5)	(490.3)	-	-	-	-	(561.1)
Net Income (Loss).....	-0-	-0-	(2.9)	(1.5)	-0-	(62.4)	(66.9)
Current Year Capital Contributions.....	-	-	-	1.4	-	-	1.4
Net Working Capital.....	34.8	57.8	.6	(1.1)	-	16.3	108.5
Property, Plant, and Equipment.....	6.0	6.4	.1	19.8	-	23.0	55.6
Total Assets.....	81.7	665.4	1.2	20.0	.5	689.3	1,458.4
Long-Term Liabilities.....	5.0	562.6	7.3	4.9	.9	434.0	1,015.0
Total Equity (Deficit).....	41.1	5.8	(6.5)	13.7	(.9)	16.3	69.4

Note 25 continued on next page.

Component Units - The enterprise fund type includes the following: the Michigan State Hospital Finance Authority (MSHFA), Michigan Education Trust (MET), Michigan Higher Education Student Loan Authority (MHESLA), Michigan Higher Education Assistance Authority (MHEAA), Mackinac Island State Park Commission (MISPC), Michigan Strategic Fund (MSF), and the Michigan State Housing Development Authority (MSHDA).

Four of the authorities issue long-term debt: to finance loans for the construction of multifamily and single family housing and home improvements (MSHDA), for capital improvements and equipment acquisition at nonprofit hospitals (MSHFA), for tuition to qualified students attending participating institutions of higher education (MHESLA), and for issuing loans and grants to private enterprises to foster economic expansion (MSF). The long-term debt of these authorities is financed mainly from loan repayments and investment income.

The MET offers contracts which, for actuarially determined amounts, guarantee future tuition at State institutions of higher education for participants.

The MHEAA is the State guaranty agency under the Stafford Loan Program, the Supplemental Loans to Students Program, and the Parent Loan for Undergraduate Students Program.

The MISPC accounts for the operation of the Mackinac Island State Park. The majority of its costs are financed through admission fees, although it does receive a partial subsidy in the form of a General Fund appropriation determined annually by the Legislature.

Segment information for component units included in the enterprise fund for the fiscal years ended in 1990 (in millions) is as follows:

	MSHFA	MET	MHESLA	MHEAA	MISPC	MSF	MSHDA	SUBTOTAL COMPONENT UNITS
Operating Revenues	$ 137.5	$ 29.8	$ 20.3	$ 52.2	$ 1.9	$ 11.0	$ 203.8	$ 457.0
Depreciation and Amortization Expense	-	-	.1	-	.1	-	.4	.7
Operating Income (Loss)	.8	21.3	4.6	5.8	(1.9)	1.6	4.7	37.2
Operating Transfers In (subsidies)	-	-	-	-	1.7	20.0	8.5	30.3
Net Income (Loss)	.8	12.2	4.6	5.8	-	6.8	12.3	42.8
Net Working Capital	229.5	12.1	64.3	36.5	2.0	62.1	314.4	721.2
Property, Plant, and Equipment	-	-	-	-	3.4	-	-	3.4
Mortgages and Loans Receivable (Net)	1,321.0	-	150.8	.8	-	16.4	1,692.7	3,181.9
Total Assets	1,763.5	368.4	271.1	51.1	6.7	131.6	2,458.3	5,051.1
Bonds (Net) and Other Long-Term Liabilities	1,652.8	341.7	204.9	.4	1.4	16.3	2,178.4	4,396.2
Total Equity	8.2	9.8	58.6	36.8	5.2	111.2	172.6	402.7

The following table demonstrates the relative shares of State funds and component units:

	STATE FUNDS	COMPONENT UNITS	TOTAL ENTERPRISE FUNDS
Operating Revenues	$1,930.3	$ 457.0	$2,387.3
Depreciation and Amortization Expense	48.2	.7	48.9
Operating Income (Loss)	489.1	37.2	526.4
Tax Revenues	7.4	-	7.4
Operating Transfers:			
In	2.3	30.3	32.7
Out	(561.1)	-	(561.1)
Net Income (Loss)	(66.9)	42.8	(24.0)
Current Year Capital Contributions	1.4	-	1.4
Net Working Capital	108.5	721.2	829.7
Property, Plant, and Equipment	55.6	3.4	59.0
Mortgages and Loans Receivable (Net)	-	3,181.9	3,181.9
Total Assets	1,458.4	5,051.1	6,509.6
Bonds (Net) and Other Long-Term Liabilities	1,015.0	4,396.2	5,411.3
Total Equity	69.4	402.7	472.1

NOTE 26 — RISK MANAGEMENT

General: The State has elected not to purchase commercial insurance for many of the risks of losses to which it is exposed. All types of risk and insurance coverage are under review and State practices will likely change somewhat in the future. Currently, however, the State is uninsured for most general liability and property losses, portions of its employee insurance benefit and employee bonding programs, as well as workers' compensation and unemployment compensation claims. Areas of risk where some level of insurance coverage is provided include: automobile and aircraft liability, property and loss of rents insurance that may be required by bond or lease agreements, portions of the State employee insurance benefits program, certain State artifacts, builder's risk coverage, boiler and machinery coverage, and employee bonding.

As explained more fully in Note #15, losses for workers' compensation and certain types of litigation losses have been recognized as liabilities in the General Long-Term Obligations Account Group, with expenditures recognized when due and payable. For unemployment claims, the Michigan Employment Security Commission (MESC) bills the State for the actual amount of claims paid to former State employees. The State accrues liabilities for unemployment compensation only to the extent of the amount paid by MESC through September 30. During the 1989-90 fiscal year, expenditures for payments to former State employees totaled $5.9 million. The potential liability for future payments has not been estimated.

As explained more fully below, expenditures for employee insurance benefits are recognized in a manner similar to purchased insurance, except that payments are made to the State Sponsored Group Insurance Fund, an internal service fund which has been established to provide coverage for these programs. Another internal service fund was established this fiscal year to begin to account for insurance management activities being implemented by the Risk Management Division within the Department of Management and Budget. Thus far, only the employee bonding program is accounted for as an operating activity of this new fund. For other uninsured losses, the State recognizes fund liabilities in the fund incurring the loss when it is probable that a loss has occurred and the amount can be reasonably estimated.

State sponsored group insurance: The State is self-funded for most of its employee insurance benefit programs. The programs are accounted for in the State Sponsored Group Insurance Fund, an internal service fund. The fund is reported in accordance with the generally accepted accounting principles applicable to the private insurance industry. Expenses and liabilities for incurred but not reported or not processed benefit claims, based on preliminary estimates from the plan administrators, have been recorded as liabilities in the amount of $90.4 million. This includes a long-term portion which is recorded at a discounted present value of $33.3 million. Unearned premium revenue of $15.7 million, which has been recorded as deferred revenue, represents fund and employee contributions in excess of recognized expenses at the benefit program level.

The Department of Civil Service intends that the various component programs of the fund be self-supporting in the long run. Individual programs may incur deficits during a given year, but each program's surplus, unearned premium balance, or deficit is considered in calculating future charges or benefit levels. Rate reductions have been implemented for certain programs, which had accumulated balances in the fund above recommended levels.

NOTE 27 — CONTINGENCIES AND COMMITMENTS

Litigation - The State accrues liabilities related to significant legal proceedings if a loss is probable and reasonably estimable. In the event that a significant, probable, and reasonably estimable loss is not settled prior to the preparation of these statements, the obligation is recorded as a general long-term liability or fund liability, depending on the fund type (see Note #15).

The State is a party to various legal proceedings seeking damages or injunctive or other relief. In addition to routine litigation, certain of these proceedings could, if unfavorably resolved from the point of view of the State, substantially affect State programs or finances. These lawsuits involve programs generally in the areas of corrections, highway maintenance, social services, tax collection, commerce, and budgetary reductions to school districts and governmental units and court funding. Relief sought includes damages in tort cases generally, alleviation of prison overcrowding, improvement of prison medical and mental health care, and refund claims under the single business tax. The State is also a party to various legal proceedings which, if resolved in the State's favor, would result in contingency gains to the State's General Fund balance, but without material effect upon fund balance. The ultimate dispositions and consequences of all of these proceedings are not presently determinable, but such ultimate dispositions and consequences of any single legal proceeding or all legal proceedings collectively should not themselves, except as listed below, in the opinion of the Attorney General of the State and the Department of Management and Budget, have a material adverse effect on the State's financial position provided however, that no opinion is expressed with respect to the ultimate disposition and consequences of any litigation in combination with any State revenue loss, the implementation of any tax reduction proposal or the failure of the State to realize any budget assumption.

On February 5, 1991, the Michigan Court of Appeals released a decision in Caterpillar, Incorporated v State of Michigan, Department of Treasury, Case No. 119584, a case involving a challenge to the capital acquisition deduction (the "CAD") provisions of the Michigan Single Business Tax Act (the "SBTA"). In its decision, the Michigan Court of Appeals upheld the ruling of the Michigan Court of Claims that the decision of the Court of Claims should be applied prospectively, rather than retroactively, but modified the remedy fashioned by the Court of Claims.

In modifying the remedy fashioned by the Court of Claims, the Court of Appeals extended the CAD to all depreciable property acquired by a taxpayer subject to the Michigan single business tax, rather than just depreciable property located in or apportioned to Michigan, as previously provided by the SBTA. As a result of this decision by the Court of Appeals, all taxpayers subject to the Michigan single business tax with depreciable property located outside the State of Michigan will be entitled to a greater deduction in determining their Michigan single business tax liability, unless a subsequent judicial decision or legislative action dictates a different treatment.

The Michigan Department of Treasury estimates that the effects of this decision would be to reduce anticipated SBTA revenues for fiscal year 1990-91 (currently projected to total approximately $1.9 billion) by approximately $350 million and will reduce SBTA revenues in future years by approximately $450 million each year. In arriving at these estimates, the Michigan Department of Treasury is assuming that the Court's decision is to be applied prospectively commencing on the date of the Court of Appeals' decision. However, if the Court of Appeals' decision is applied prospectively for fiscal years beginning after September 30, 1989, as determined by the Court of Claims, certain single business tax taxpayers could be entitled to refunds for the 1989-90 and 1990-91 fiscal years, which would further reduce revenues in those years. The Michigan Department of Treasury is unable to determine the extent of any refund liability at this time. At the present time, the date from which the Court's decision is to be applied, and whether and for what period of time a taxpayer could be entitled to a refund are unclear.

The State of Michigan is currently reviewing its options to reduce or eliminate the budgetary impact of this decision. The administration intends to submit to the Legislature proposed amendments to the SBTA necessary to eliminate any negative impact on the State's financial condition from this decision. There can be no assurance, however, that such legislation will be passed by the Legislature. It is possible that any legislative remedy that is to be applied retroactively might be challenged and could be determined by a court to be invalid or only prospective in application. Such a judicial determination could preserve a taxpayer's right to a refund of SBTA taxes paid prior to the effective date of any such legislation.

In addition, the State has filed a motion for rehearing and motion for immediate consideration with the Court of Appeals. The opposing party has filed an application for leave to appeal with the Michigan Supreme Court. An appeal to the Michigan Supreme Court is not an appeal of right. Accordingly, the Michigan Supreme Court will determine whether to grant leave to appeal.

Note 27 continued on next page.

Michigan Property and Casualty Guaranty Association (MPCGA) and Michigan Life and Health Guaranty Association (MLHGA) - The MPCGA and MLHGA are statutorily created involuntary associations of all licensed insurance companies operating within the State. Through assessments levied against member companies, the associations provide coverage in the event that any such companies become insolvent. The assessments paid by member insurance companies may be taken as direct credits against the companies' single business tax (SBT) liability.

During the fiscal year, a number of large insurance companies became insolvent. It is anticipated that such insolvencies will result in significant increases in payments by the associations, assessments against member companies, and resulting credits against the companies' future SBT liability. It is estimated that the future SBT credits to member companies related to these insolvencies will approximate up to $20 million.

Federal Grants - Federal revenues are generally subject to review and audit by grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agencies for expenditures disallowed under the terms of the grant. The State recognizes material disallowances when the loss becomes probable and reasonably estimable. As of September 30, 1990, the State estimates that additional disallowances of recognized revenues will not be material to the statements.

For fiscal year 1989-90, estimated mispayments (both State and federal shares) totaled approximately $66.5 million in the Aid to Families with Dependent Children (AFDC) program, $47.1 million in the Food Stamp program and $28.1 million in the Medicaid program. Mispayments for the general assistance program (fully funded by the State) have not been determined.

Gain Contingencies - Certain contingent receivables related to the Department of Social Services, including pending federal time studies grant programs, are not recorded as assets in these statements. Amounts recoverable from Department of Social Services grant recipients for grant overpayments or from responsible third parties are recorded as receivables only if the amount is reasonably measurable, expected to be received within 12 months, and not contingent upon future grants or the completion of major collection efforts by the State. If recoveries are accrued and the program involves federal participation, a liability for the federal share of the recovery is also accrued. The unrecorded amount of potential recoveries which are ultimately collectible can not be reasonably determined.

Certain mispayments related to Department of Education grant programs are not recorded as assets in these statements. The mispayments generally occur because of the inclusion of ineligible student members in census counts at local school districts and are identified through department audits of membership counts. Receivables resulting from such audits are recognized as the audits are completed.

Construction Projects - As of September 30, 1990, several construction projects were in progress, with several others in the planning stages. A significant portion of these projects involve the construction and renovation of correctional facilities. A more detailed discussion of construction commitments is included in the construction in progress disclosures (Note #11).

The Department of Transportation has entered into construction contracts for transportation related funds. As of September 30, 1990, the balances remaining in these contracts equalled $271.5 million.

Contingent Liability for Local School District Bonds - Public Act 108 of 1961, as amended, resulted in a contingent liability for the bonds of any school district which are "qualified" by the Superintendent of Public Instruction. Every qualified school district is required to borrow and the State is required to lend to it any amount necessary for the school district to avoid a default on its qualified bonds. In the event that funds are not available in the School Bond Loan Fund in adequate amounts to make such a loan, the State is required to make such loans from the General Fund. As of December 31, 1990 the principal amount of qualified bonds outstanding was $2.5 billion. Total debt service requirements on these bonds including interest will approximate $297.1 million in 1991.

Student Loan Guarantees - The Michigan Higher Education Assistance Authority (MHEAA), which is reported as an enterprise fund in this report, is contingently liable for loans made to students by financial institutions that qualify for guaranty. The State of Michigan, other than MHEAA, is not liable for these loans. The MHEAA's default ratio is currently below 5% for the fiscal year ended September 30, 1990. As a result, the federal government's reinsurance rate for defaults for the fiscal year ended September 30, 1990, is 100%. In the event of future adverse default experience, the MHEAA could be liable for up to 20% of defaulted loans. At the beginning of each fiscal year, the Agency's reinsurance rate returns to 100%; management does not expect that all guaranteed loans could default in one year. Accordingly, the MHEAA's expected maximum contingent liability is less than 20% of outstanding guaranteed loans; however, the maximum contingent liability at September 30, 1990 is $304.9 million (20% of loans outstanding).

The MHEAA entered into commitment agreements with all lenders that provide, among other things, that the MHEAA will maintain cash and marketable securities of at least 2% of the aggregate unpaid principal amount of all loans they have guaranteed. The MHEAA was in compliance with this requirement as of September 30, 1990.

STATE OF MICHIGAN
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS – BY CLASSIFICATION
SEPTEMBER 30, 1990
(In Thousands)

	TRANSPORTATION RELATED	CONSERVATION AND RECREATION RELATED	REGULATORY AND ADMINISTRATIVE RELATED
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 2,987	$ 107	$ 147
Equity in Common Cash	488,432	277,257	18,679
Taxes, interest, and penalties receivable	61,269	9	–
Amounts due from other funds	40,693	–	–
Amounts due from federal agencies	77,664	1,862	3,443
Amounts due from local units	26,679	360	65
Inventories	14,230	50	–
Investments	–	–	–
Other current assets	4,140	12,967	361
Total Current Assets	716,097	292,614	22,698
Taxes, interest, and penalties receivable	1,330	–	–
Advances to other funds	–	–	–
Amounts due from local units	99,171	–	–
Investments	–	–	–
Other noncurrent assets	8,762	–	–
Total Assets	$ 825,362	$ 292,614	$ 22,698
LIABILITIES AND FUND BALANCES			
Current Liabilities:			
Warrants outstanding	$ 16,314	$ 1,232	$ 398
Accounts payable and other liabilities	237,371	5,019	3,224
Amounts due to other funds	43,267	18,881	299
Deferred revenue	11,996	–	262
Total Current Liabilities	308,949	25,133	4,685
Long-Term Liabilities:			
Deferred revenue	9,484	–	–
Other long-term liabilities	1,055	–	–
Total Liabilities	319,489	25,133	4,685
Fund Balances:			
Reserves for:			
Budgetary carry-forwards:			
Encumbrances	58,317	–	–
Restricted revenues	35,081	10,787	–
Multi-year projects	166,058	84,787	–
Construction and debt service	–	–	–
Revolving loan programs	752	–	–
Funds held as permanent investments	–	31,104	–
Noncurrent assets	99,779	–	–
Total Reserved	359,989	126,680	–
Unreserved	145,883	140,800	18,013
Total Fund Balances	505,872	267,481	18,013
Total Liabilities and Fund Balances	$ 825,362	$ 292,614	$ 22,698

OTHER STATE FUNDS	COMPONENT UNITS	TOTALS SEPTEMBER 30, 1990	TOTALS SEPTEMBER 30, 1989
$ 3	$ 159	$ 3,404	$ 1,828
386,641	–	1,171,011	1,017,144
151,253	–	212,532	206,876
170	65	40,929	61,505
–	–	82,971	107,489
7,631	–	34,737	42,311
–	–	14,281	11,443
–	52,136	52,136	41,004
900	571	18,941	19,395
546,601	52,933	1,630,946	1,509,000
5,965	–	7,295	4,921
1,620	–	1,620	1,781
14,995	–	114,167	117,626
33,497	–	33,497	29,362
–	–	8,762	9,839
$ 602,681	$ 52,933	$ 1,796,290	$ 1,672,532
$ 5,187	$ –	$ 23,633	$ 17,116
13,373	6,034	265,022	265,555
171,965	2,097	236,510	233,374
–	94	12,353	12,232
190,525	8,226	537,520	528,278
5,965	79	15,530	15,735
–	–	1,055	–
196,491	8,305	554,105	544,013
16	–	58,334	65,520
2,103	–	47,972	43,676
–	–	250,846	259,182
–	27,535	27,535	19,543
–	–	752	922
35,603	–	66,707	59,180
14,995	–	114,775	117,501
52,719	27,535	566,924	565,528
353,470	17,091	675,259	562,990
406,189	44,627	1,242,184	1,128,519
$ 602,681	$ 52,933	$ 1,796,290	$ 1,672,532

STATE OF MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS – BY CLASSIFICATION
FISCAL YEAR ENDED SEPTEMBER 30, 1990
(In Thousands)

	TRANSPORTATION RELATED	CONSERVATION AND RECREATION RELATED	REGULATORY AND ADMINISTRATIVE RELATED
REVENUES			
Taxes	$ 1,142,779	$ 27	$ –
From federal agencies	306,413	4,933	123,707
From local agencies	31,716	62	1,620
From services	975	–	–
From licenses and permits	74,072	48,730	6,797
Miscellaneous	54,681	65,721	5,390
Total Revenues	1,610,637	119,475	137,516
EXPENDITURES			
Current:			
General government	–	–	–
Education	–	–	–
Conservation, recreation, and agriculture	–	43,318	–
Labor, commerce, and regulatory	–	–	124,269
Transportation	1,090,662	–	–
Capital outlay	446,451	16,338	54
Debt service:			
Capital lease payments	1,179	–	806
Total Expenditures	1,538,293	59,656	125,130
Excess of Revenues over (under) Expenditures	72,344	59,818	12,386
OTHER FINANCING SOURCES (USES)			
Proceeds from bond and bond anticipation note issues	130,283	91,498	–
Capital lease acquisitions	–	–	1,027
Operating transfers in	525,262	20,170	3,084
Operating transfers out	(667,869)	(84,051)	(16,187)
Total Other Financing Sources (Uses)	(12,323)	27,617	(12,075)
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	60,020	87,436	310
Fund Balances – Beginning of fiscal year	445,859	200,460	17,702
Equity transfers from other funds	7	–	–
Equity transfers to other funds	(14)	(20,415)	–
Fund Balances – End of fiscal year	$ 505,872	$ 267,481	$ 18,013

OTHER STATE FUNDS	COMPONENT UNITS	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1990	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1989
$ 1,705,318	$ -	$ 2,848,125	$ 2,808,831
47,496	-	482,551	494,444
1,197	-	34,597	31,220
-	53	1,028	1,039
-	6,340	135,940	135,758
41,961	4,336	172,091	163,118
1,795,974	10,730	3,674,333	3,634,412
5,610	-	5,610	5,885
3,047,501	55,749	3,103,251	2,748,190
-	51	43,369	9,786
-	-	124,269	125,940
-	4,585	1,095,248	1,035,972
-	-	462,843	455,437
-	-	1,985	3,078
3,053,112	60,385	4,836,578	4,384,291
(1,257,138)	(49,654)	(1,162,244)	(749,878)
3,725	139,749	365,255	11,443
-	-	1,027	2,215
1,306,438	1,206	1,856,163	1,512,388
(77,688)	(80,318)	(926,114)	(770,203)
1,232,475	60,639	1,296,332	755,844
(24,663)	10,984	134,088	5,965
430,852	33,643	1,128,519	1,131,509
-	-	7	-
-	-	(20,429)	(8,956)
$ 406,189	$ 44,627	$ 1,242,184	$ 1,128,519

STATE OF MICHIGAN
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – SPECIAL REVENUE FUNDS – BY CLASSIFICATION
FISCAL YEAR ENDED SEPTEMBER 30, 1990
(In Thousands)

	TRANSPORTATION RELATED		
Statutory/Budgetary Basis	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES AND OTHER SOURCES			
Taxes	$ 1,142,779	$ 1,142,779	$ –
From federal agencies	303,707	306,413	2,705
From local agencies	28,621	31,450	2,829
From services	975	975	–
From licenses and permits	74,072	74,072	–
Miscellaneous	47,820	46,324	(1,495)
Operating transfers in	487,157	525,262	38,104
Total Revenues and Other Sources	2,085,133	2,127,276	42,143
EXPENDITURES, OPERATING TRANSFERS OUT, AND ENCUMBRANCES – BY DEPARTMENT			
Management and Budget	–	–	–
Education	–	–	–
Transportation	2,267,153	2,230,723	36,430
Labor	–	–	–
Licensing and Regulation	–	–	–
Natural Resources	–	–	–
Total Expenditures, Operating Transfers Out, and Encumbrances	2,267,153	2,230,723	36,430
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	$ (182,020)	(103,446)	$ 78,573
Reconciling Items:			
Encumbrances at September 30		58,317	
Funds not annually budgeted		105,149	
Net Reconciling Items		163,466	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		60,020	
FUND BALANCES (GAAP BASIS)			
Beginning balances		445,859	
Equity transfers from other funds		7	
Equity transfers to other funds		(14)	
Ending balances (GAAP Basis)		$ 505,872	

CONSERVATION AND RECREATION RELATED			REGULATORY AND ADMINISTRATIVE RELATED			OTHER STATE FUNDS		
BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
$ 27	$ 27	$ -	$ -	$ -	$ -	$ 1,703,994	$ 1,705,318	$ 1,324
4,933	4,933	-	125,346	123,707	(1,638)	47,496	47,496	-
-	-	-	1,854	1,620	(233)	1,197	1,197	-
-	-	-	-	-	-	-	-	-
40,589	48,730	8,140	6,797	6,797	-	-	-	-
53,183	53,198	15	5,355	5,390	34	39,950	41,961	2,010
19,047	20,170	1,123	3,058	3,084	26	1,243,441	1,243,567	126
117,781	127,059	9,278	142,411	140,600	(1,811)	3,036,080	3,039,541	3,460
-	-	-	-	-	-	82,519	79,582	2,937
-	-	-	-	-	-	2,992,816	2,992,824	(8)
-	-	-	-	-	-	-	-	-
-	-	-	139,979	139,788	191	-	-	-
-	-	-	772	501	270	-	-	-
106,679	104,372	2,307	-	-	-	-	-	-
106,679	104,372	2,307	140,751	140,289	461	3,075,336	3,072,407	2,928
$ 11,101	22,687	$ 11,586	$ 1,660	310	$ (1,349)	$ (39,255)	(32,866)	$ 6,389
	-			-			16	
	64,747			-			8,186	
	64,748			-			8,202	
	87,436			310			(24,663)	
	200,460			17,702			430,852	
	-			-			-	
	(20,415)			-			-	
	$ 267,481			$ 18,013			$ 406,189	

This schedule continued on next page.

STATE OF MICHIGAN
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – SPECIAL REVENUE FUNDS – BY CLASSIFICATION (Continued)
FISCAL YEAR ENDED SEPTEMBER 30, 1990
(In Thousands)

	COMPONENT UNITS			TOTALS		
Statutory/Budgetary Basis	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES AND OTHER SOURCES						
Taxes	$ –	$ –	$ –	$ 2,846,801	$ 2,848,125	$ 1,324
From federal agencies	–	–	–	481,483	482,551	1,067
From local agencies	–	–	–	31,673	34,268	2,595
From services	–	–	–	975	975	–
From licenses and permits	–	–	–	121,459	129,599	8,140
Miscellaneous	–	–	–	146,310	146,875	564
Operating transfers in	–	–	–	1,752,704	1,792,084	39,380
Total Revenues and Other Sources	–	–	–	5,381,406	5,434,478	53,071
EXPENDITURES, OPERATING TRANSFERS OUT, AND ENCUMBRANCES – BY DEPARTMENT						
Management and Budget	–	–	–	82,519	79,582	2,937
Education	–	–	–	2,992,816	2,992,824	(8)
Transportation	–	–	–	2,267,153	2,230,723	36,430
Labor	–	–	–	139,979	139,788	191
Licensing and Regulation	–	–	–	772	501	270
Natural Resources	–	–	–	106,679	104,372	2,307
Total Expenditures, Operating Transfers Out, and Encumbrances	–	–	–	5,589,920	5,547,792	42,127
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	$ –	–	$ –	$ (208,513)	(113,314)	$ 95,199
Reconciling Items:						
Encumbrances at September 30		–			58,334	
Funds not annually budgeted		10,984			189,067	
Net Reconciling Items		10,984			247,402	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		10,984			134,088	
FUND BALANCES (GAAP BASIS)						
Beginning balances		33,643			1,128,519	
Equity transfers from other funds		–			7	
Equity transfers to other funds		–			(20,429)	
Ending balances (GAAP Basis)		$ 44,627			$ 1,242,184	

THIS PAGE INTENTIONALLY BLANK

STATE OF MICHIGAN
DESCRIPTIONS OF SPECIAL REVENUE FUNDS – TRANSPORTATION RELATED
FISCAL YEAR ENDED SEPTEMBER 30, 1990

STATE AERONAUTICS FUND

This fund, established by P.A. 327 of 1945, is administered by the Department of Transportation for improvement of airports. Its budget is subject to annual legislative review and appropriation. Financing consists mostly of federal and local contributions and aviation fuel taxes. Expenditures and transfers are for administration and local airport improvement project costs.

STATE TRUNKLINE FUND

This fund is administered by the Department of Transportation for construction and maintenance of highways. Its overall budget is subject to annual legislative review and appropriation, but the Transportation Commission has significant discretion in determining the funding of individual projects. Financing consists primarily of a transfer from the Michigan Transportation Fund, federal aid, and local participation. Expenditures and outgoing transfers are for administration, highway maintenance and construction, debt service, and various contractual obligations. In accordance with statutory provisions, any fund balance not otherwise reserved at fiscal year-end is appropriated and reserved for road and bridge construction purposes.

The State Trunkline Fund also is used to record loans made to local units of government for reconstructing and resurfacing roadways. Funds for such loans are made available by transfer from the 1983 State Trunkline Fund Bond Proceeds Fund and the 1984 State Trunkline Fund Bond Proceeds Fund. Loan repayments, which are received directly by the State Trunkline Fund, are not pledged to the payment of the bonds related to the loans.

MICHIGAN TRANSPORTATION FUND

This fund, established by section 10 of P.A. 51 of 1951, as amended, is administered jointly by the Department of Transportation and the Department of State. The fund is a receiving fund for the several tax revenues dedicated to highway purposes. Transfers are made from the fund to the General Fund, State Trunkline Fund, and the Comprehensive Transportation Fund. Expenditures include grants to counties, cities, and villages for highway purposes.

COMPREHENSIVE TRANSPORTATION FUND

This fund, established by P.A. 327 of 1972, as amended, is administered by the Department of Transportation. It was created to account for the planning and development of public transportation systems within the State. Financing is provided by federal and local revenues, vehicle-related sales tax, and transfers from the Michigan Transportation Fund. In accordance with statutory provisions, any unencumbered balance at fiscal year-end lapses and reverts to the fund for appropriation in the following fiscal year. In addition to providing direct expenditures for public transportation purposes, the fund is used to provide financing for entities providing bus and rail services. Such financing is provided primarily by purchasing buses and reselling them to private carriers on a credit basis and by purchasing and leasing back rail-related assets.

COMPREHENSIVE TRANSPORTATION BOND CONSTRUCTION FUND

This fund was established pursuant to Section 18(b) of P.A. 51 of 1951, as amended, to account for the proceeds of up to $217 million of comprehensive transportation revenue dedicated bonds. The State Transportation Commission approved issuance of $106.3 million Series A bonds in 1980 and $50 million Series B bonds in 1981. These bonds were used to finance part of the costs of constructing and acquiring comprehensive transportation projects. A majority of these projects, as approved by legislative action, were undertaken to enhance local transportation systems. The proceeds of the bonds have been substantially expended for the purposes of the fund and the remaining balance has been transferred to the Comprehensive Transportation Fund as of September 30, 1990.

1983 STATE TRUNKLINE FUND BOND PROCEEDS FUND

This fund was established pursuant to Section 18(b) of P.A. 51 of 1951, as amended, to account for the proceeds of $135 million of State trunkline revenue dedicated bonds issued in 1983. These bonds were used in part to finance the costs of reconstructing and resurfacing portions of the State trunkline system. The bonds were also used to finance loans to local units of government for reconstructing and resurfacing roadways. These loans are recorded as assets in the State Trunkline Fund, which receives loan repayments.

The proceeds of the bonds have been expended for the purposes of the fund and the remaining balance has been transferred to the Combined State Trunkline Bond and Interest Redemption Fund as of September 30, 1990.

1984 COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND

This fund was established pursuant to Section 18(b) of P.A. 51 of 1951, as amended, to account for the proceeds of $60 million of comprehensive transportation revenue dedicated bonds issued in 1984. These bonds are being used to finance part of the construction and acquisition of comprehensive transportation projects.

1984 STATE TRUNKLINE FUND BOND PROCEEDS FUND

This fund was established pursuant to Section 18(b) of P.A. 51 of 1951, as amended, to account for the proceeds of $50 million of State trunkline revenue dedicated bonds issued in 1984. These bonds are being used in part to finance the costs of reconstructing and resurfacing portions of the State trunkline system. The bonds were also used to finance loans to local units of government for reconstructing and resurfacing roadways. These loans are recorded as assets in the State Trunkline Fund, which receives the loan repayments.

1989 STATE TRUNKLINE FUND BOND PROCEEDS FUND

This fund was established pursuant to Section 18(b) of P.A. 51 of 1951, as amended, to account for the proceeds of up to $136 million of State trunkline revenue dedicated bonds issued in 1989. These bonds are being used to finance certain State Trunkline Fund projects. The long-term liabilities recorded in the fund represent the accrual of arbitrage earnings rebates.

STATE OF MICHIGAN
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS – TRANSPORTATION RELATED
SEPTEMBER 30, 1990
(In Thousands)

	STATE AERONAUTICS FUND	STATE TRUNKLINE FUND	MICHIGAN TRANSPORTATION FUND	COMPREHENSIVE TRANSPORTATION FUND
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 1	$ 401	$ 2,555	$ 28
Equity in Common Cash	9,104	157,696	117,562	77,308
Taxes, interest, and penalties receivable	786	–	60,483	–
Amounts due from other funds	–	32,226	–	8,466
Amounts due from federal agencies	13,416	57,685	–	6,562
Amounts due from local units	4,338	21,740	–	342
Inventories	–	14,230	–	–
Other current assets	22	2,252	1,043	822
Total Current Assets	27,669	286,233	181,645	93,531
Taxes, interest, and penalties receivable	–	–	1,329	–
Amounts due from local units	993	97,808	–	369
Other noncurrent assets:				
Amounts due from private carriers	–	–	–	3,924
Land contracts outstanding	–	3,754	–	77
Miscellaneous accounts receivable	–	–	–	1,006
Total other noncurrent assets	–	3,754	–	5,008
Total Assets	$ 28,663	$ 387,795	$ 182,975	$ 98,909
LIABILITIES AND FUND BALANCES				
Current Liabilities:				
Warrants outstanding	$ 395	$ 14,228	$ 345	$ 803
Accounts payable and other liabilities	7,336	71,596	143,039	9,764
Amounts due to other funds	–	5,007	38,260	–
Deferred revenue	4,486	7,179	–	329
Total Current Liabilities	12,219	98,012	181,645	10,897
Long-Term Liabilities:				
Deferred revenue	–	3,754	1,329	4,400
Other long-term liabilities	–	–	–	–
Total Liabilities	12,219	101,766	182,975	15,298
Fund Balances:				
Reserves for:				
Budgetary carry-forwards:				
Encumbrances	650	4,452	–	53,214
Restricted revenues	–	28,077	–	7,003
Multi-year projects	10,367	155,690	–	–
Revolving loan programs	752	–	–	–
Noncurrent assets	993	97,808	–	977
Total Reserved	12,764	286,029	–	61,195
Unreserved	3,679	–	–	22,415
Total Fund Balances	16,443	286,029	-0-	83,611
Total Liabilities and Fund Balances	$ 28,663	$ 387,795	$ 182,975	$ 98,909

1984 COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND	1984 STATE TRUNKLINE FUND BOND PROCEEDS FUND	1989 STATE TRUNKLINE FUND BOND PROCEEDS FUND	TOTALS SEPTEMBER 30, 1990	TOTALS SEPTEMBER 30, 1989
$ –	$ –	$ –	$ 2,987	$ 322
5,093	523	121,143	488,432	391,893
–	–	–	61,269	62,739
–	–	–	40,693	47,155
–	–	–	77,664	100,884
1	256	–	26,679	26,513
–	–	–	14,230	11,317
–	–	–	4,140	4,294
5,095	779	121,143	716,097	645,121
–	–	–	1,330	664
–	–	–	99,171	103,899
–	–	–	3,924	4,698
–	–	–	3,831	4,498
–	–	–	1,006	643
–	–	–	8,762	9,839
$ 5,095	$ 779	$ 121,143	$ 825,362	$ 759,524
$ 21	$ –	$ 520	$ 16,314	$ 14,485
2,118	3	3,510	237,371	240,771
–	–	–	43,267	37,788
–	–	–	11,996	9,990
2,139	3	4,031	308,949	303,035
–	–	–	9,484	10,629
–	–	1,055	1,055	–
2,139	3	5,086	319,489	313,664
–	–	–	58,317	65,515
–	–	–	35,081	33,629
–	–	–	166,058	185,877
–	–	–	752	922
–	–	–	99,779	103,773
–	–	–	359,989	389,719
2,955	775	116,056	145,883	56,140
2,955	775	116,056	505,872	445,859
$ 5,095	$ 779	$ 121,143	$ 825,362	$ 759,524

STATE OF MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS – TRANSPORTATION RELATED
FISCAL YEAR ENDED SEPTEMBER 30, 1990
(In Thousands)

	STATE AERONAUTICS FUND	STATE TRUNKLINE FUND	MICHIGAN TRANSPORTATION FUND	COMPREHENSIVE TRANSPORTATION FUND
REVENUES				
Taxes	$ 6,815	$ –	$ 1,090,403	$ 45,559
From federal agencies	28,531	274,970	–	2,910
From local agencies	6,348	25,101	–	–
From services	975	–	–	–
From licenses and permits	245	13,229	60,509	88
Miscellaneous	1,106	27,581	9,600	8,036
Total Revenues	44,022	340,884	1,160,513	56,594
EXPENDITURES				
Current:				
Transportation	43,234	305,667	565,789	164,234
Capital outlay	–	424,445	–	–
Debt service:				
Capital lease payments	–	1,179	–	–
Total Expenditures	43,234	731,293	565,789	164,234
Excess of Revenues over (under) Expenditures	788	(390,409)	594,724	(107,639)
OTHER FINANCING SOURCES (USES)				
Proceeds from bond issues	–	–	–	–
Operating transfers in	1	417,047	787	107,424
Operating transfers out	(532)	(48,952)	(595,939)	(22,429)
Total Other Financing Sources (Uses)	(530)	368,094	(595,151)	84,995
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	257	(22,314)	(427)	(22,644)
Fund Balances – Beginning of fiscal year	16,185	308,343	427	106,249
Equity transfers from other funds	–	–	–	7
Equity transfers to other funds	–	–	–	–
Fund Balances – End of fiscal year	$ 16,443	$ 286,029	$ -0-	$ 83,611

COMPREHENSIVE TRANSPORTATION BOND CONSTRUCTION FUND	1983 STATE TRUNKLINE FUND BOND PROCEEDS FUND	1984 COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND	1984 STATE TRUNKLINE FUND BOND PROCEEDS FUND	1989 STATE TRUNKLINE FUND BOND PROCEEDS FUND	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1990	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1989
$ –	$ –	$ –	$ –	$ –	$ 1,142,779	$ 1,127,126
–	–	–	–	–	306,413	317,747
–	–	–	266	–	31,716	28,550
–	–	–	–	–	975	965
–	–	–	–	–	74,072	77,311
27	1	922	52	7,351	54,681	47,618
27	1	922	318	7,351	1,610,637	1,599,319
2,776	–	8,718	–	242	1,090,662	1,031,773
–	48	–	621	21,335	446,451	437,733
–	–	–	–	–	1,179	1,173
2,776	48	8,718	621	21,577	1,538,293	1,470,680
(2,748)	(46)	(7,795)	(302)	(14,226)	72,344	128,638
–	–	–	–	130,283	130,283	–
–	–	–	–	–	525,262	523,547
(4)	(1)	(4)	(3)	–	(667,869)	(653,718)
(4)	(1)	(4)	(3)	130,283	(12,323)	(130,170)
(2,752)	(48)	(7,799)	(306)	116,056	60,020	(1,532)
2,759	55	10,755	1,082	-0-	445,859	447,391
–	–	–	–	–	7	–
(7)	(7)	–	–	–	(14)	–
$ -0-	$ -0-	$ 2,955	$ 775	$ 116,056	$ 505,872	$ 445,859

STATE OF MICHIGAN

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS - TRANSPORTATION RELATED
FISCAL YEAR ENDED SEPTEMBER 30, 1990
(In Thousands)

	STATE AERONAUTICS FUND		
Statutory/Budgetary Basis	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES AND OTHER SOURCES			
Taxes	$ 6,815	$ 6,815	$ -
From federal agencies	28,531	28,531	-
From local agencies	6,348	6,348	-
From services	975	975	-
From licenses and permits	245	245	-
Miscellaneous	1,106	1,106	-
Operating transfers in	1	1	-
Total Revenues and Other Sources	44,024	44,024	-
EXPENDITURES, OPERATING TRANSFERS OUT, AND ENCUMBRANCES - BY DEPARTMENT			
Transportation	46,814	44,417	2,397
Total Expenditures, Operating Transfers Out, and Encumbrances	46,814	44,417	2,397
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	$ (2,790)	(392)	$ 2,397
Reconciling Items:			
Encumbrances at September 30		650	
Funds not annually budgeted		-	
Net Reconciling Items		650	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		257	
FUND BALANCES (GAAP BASIS)			
Beginning balances		16,185	
Equity transfers from other funds		-	
Equity transfers to other funds		-	
Ending balances (GAAP Basis)		$ 16,443	

STATE TRUNKLINE FUND			MICHIGAN TRANSPORTATION FUND			COMPREHENSIVE TRANSPORTATION FUND		
BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
$ -	$ -	$ -	$ 1,090,403	$ 1,090,403	$ -	$ 45,559	$ 45,559	$ -
272,265	274,970	2,705	-	-	-	2,910	2,910	-
22,272	25,101	2,829	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
13,229	13,229	-	60,509	60,509	-	88	88	-
29,077	27,581	(1,495)	9,600	9,600	-	8,036	8,036	-
387,414	417,047	29,633	787	787	-	98,953	107,424	8,471
724,259	757,931	33,672	1,161,300	1,161,300	-	155,548	164,019	8,471
802,840	784,698	18,141	1,171,707	1,161,728	9,978	245,790	239,878	5,911
802,840	784,698	18,141	1,171,707	1,161,728	9,978	245,790	239,878	5,911
$ (78,581)	(26,766)	$ 51,814	$ (10,406)	(427)	$ 9,978	$ (90,242)	(75,859)	$ 14,383
	4,452			-			53,214	
	-			-			-	
	4,452			-			53,214	
	(22,314)			(427)			(22,644)	
	308,343			427			106,249	
	-			-			7	
	-			-			-	
	$ 286,029			$ -0-			$ 83,611	

This schedule continued on next page.

STATE OF MICHIGAN
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS – TRANSPORTATION RELATED (Continued)
FISCAL YEAR ENDED SEPTEMBER 30, 1990
(In Thousands)

	FUNDS NOT ANNUALLY BUDGETED			
	COMPREHENSIVE TRANSPORTATION BOND CONSTRUCTION FUND	1983 STATE TRUNKLINE FUND BOND PROCEEDS FUND	1984 COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND	1984 STATE TRUNKLINE FUND BOND PROCEEDS FUND
Statutory/Budgetary Basis	ACTUAL	ACTUAL	ACTUAL	ACTUAL
REVENUES AND OTHER SOURCES				
Taxes	$ –	$ –	$ –	$ –
From federal agencies	–	–	–	–
From local agencies	–	–	–	–
From services	–	–	–	–
From licenses and permits	–	–	–	–
Miscellaneous	–	–	–	–
Operating transfers in	–	–	–	–
Total Revenues and Other Sources	–	–	–	–
EXPENDITURES, OPERATING TRANSFERS OUT, AND ENCUMBRANCES – BY DEPARTMENT				
Transportation	–	–	–	–
Total Expenditures, Operating Transfers Out, and Encumbrances	–	–	–	–
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	–	–	–	–
Reconciling Items:				
Encumbrances at September 30	–	–	–	–
Funds not annually budgeted	(2,752)	(48)	(7,799)	(306)
Net Reconciling Items	(2,752)	(48)	(7,799)	(306)
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)	(2,752)	(48)	(7,799)	(306)
FUND BALANCES (GAAP BASIS)				
Beginning balances	2,759	55	10,755	1,082
Equity transfer from other funds	–	–	–	–
Equity transfers to other funds	(7)	(7)	–	–
Ending balances (GAAP Basis)	$ -0-	$ -0-	$ 2,955	$ 775

1989 STATE TRUNKLINE FUND BOND PROCEEDS FUND	TOTALS		
ACTUAL	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
$ -	$ 1,142,779	$ 1,142,779	$ -
-	303,707	306,413	2,705
-	28,621	31,450	2,829
-	975	975	-
-	74,072	74,072	-
-	47,820	46,324	(1,495)
-	487,157	525,262	38,104
-	2,085,133	2,127,276	42,143
-	2,267,153	2,230,723	36,430
-	2,267,153	2,230,723	36,430
-	$ (182,020)	(103,446)	$ 78,573
-		58,317	
116,056		105,149	
116,056		163,466	
116,056		60,020	
-		445,859	
-		7	
-		(14)	
$ 116,056		$ 505,872	

STATE OF MICHIGAN
DESCRIPTIONS OF SPECIAL REVENUE FUNDS – CONSERVATION AND RECREATION RELATED
FISCAL YEAR ENDED SEPTEMBER 30, 1990

GAME AND FISH PROTECTION FUND

This fund was established by P.A. 17 of 1921. It is financed principally from hunting and fishing license fees whose purpose is to support the conservation program for preservation and control of fish and wildlife. Activity in this fund consists primarily of capital outlay expenditures and transfers to the General Fund. The transfers finance appropriations for game and fish related activities and for grants to counties, made under provisions of P.A. 91 of 1925, as payment in lieu of taxes on certain State owned real property purchased from this fund.

MICHIGAN STATE WATERWAYS FUND

This fund was established by P.A. 320 of 1947. Subsequent legislation has broadened the fund's activities and increased its sources of revenue. It receives portions of watercraft registration fees and gasoline taxes, some of which are collected by other State funds and credited as operating transfers into this fund. These revenues are directed primarily toward improvement of lake harbors, docking facilities, and inland waterways. Expenditures for certain items, such as capital outlay, grants to local units, and marine fuel purchases, are made directly from the fund. Other expenditures are recorded in the General Fund, with financing provided by transfers from this fund.

MARINE SAFETY FUND

This fund was established by P.A. 303 of 1967, as amended, and is financed principally by 49% of watercraft registration fees imposed by this act. Amendatory Act 153 of 1974 brought licensees onto a 3-year renewal cycle, causing the fee revenues every third year to be significantly higher than the intervening years. The 1989-90 fiscal year was a major renewal year. Through transfers to the General Fund and grants to counties, this fund provides educational programs, law enforcement and the establishment of regulations for the operation of watercraft on the waters of this State.

Public Act 56 of 1988 reduced this fund's share of watercraft registration fees to the current rate and provided funding for the new Harbor Development Program, which has been incorporated into the Michigan State Waterways Fund. This law also created the Marine Safety Advisory Council within the Department of Natural Resources. The department is required to allocate funding to counties as recommended by the Advisory Council. Further, P.A. 56 significantly increased watercraft registration fees in two increments effective January 1, 1989 and January 1, 1990.

GAME AND FISH PROTECTION TRUST FUND

This fund was created by P.A. 73 of 1986 to restrict certain assets for the purpose of generating interest and earnings for transfer to the Game and Fish Protection Fund each year. Initial funding in 1985-86 was from the State Recreational Land Acquisition Trust Fund. Additional investment funding is being provided primarily by mineral royalties from lands acquired by the Game and Fish Protection Fund which, by statute, are being retained for permanent investment. Since October 1, 1987 various mineral royalties, direct sale proceeds and other revenues have been credited to the Game and Fish Protection Trust Fund.

STATE PARK IMPROVEMENT FUND

This fund was established by P.A. 149 of 1960 as amended, and is financed mainly by the proceeds of a $20 million revenue dedicated bond issue and from State park permit fees necessary for entry by motor vehicle into designated State parks. Permit fees are recorded as operating transfers from the State Park Revenue Bond Fund which makes allocations from such fees.

The resources of this fund are subject to appropriations by the Legislature for operation, the acquisition of land, construction, development, and improvement of State parks. Operating transfers out consist mainly of transfers to the General Fund for support of park operations and administrative expenditures.

RECREATION BOND FUND – LOCAL PROJECTS

This fund was established by P.A. 329 of 1988 to account for the proceeds of $70.0 million of general obligation bonds approved by the people in November, 1988 as part of a $140.0 million bond package for financing state and local public recreation projects. This approval was obtained under the general authority of Section 15, Article IX, of the 1963 State Constitution. Public Act 329 of 1988, as amended, specifies that $65.0 million of the proceeds of these bonds will be used to provide grants and loans to local units of government for local public recreation projects. It also specifies that $5.0 million shall be used to provide grants and loans to local units of government for the purpose of discouraging development of open space and undeveloped lands. These activities are accounted for in this fund. An initial bond sale of $1.5 million was made for these purposes in November, 1989. This fund is administered by the Department of Natural Resources.

ENVIRONMENTAL PROTECTION BOND FUND

This fund was established by P.A. 328 of 1988 to account for the proceeds of $660.0 million of general obligation bonds approved by the people in November, 1988. This approval was obtained under the general authority of Section 15, Article IX, of the 1963 State Constitution. The bonds are authorized for financing environmental protection programs that would clean up sites of toxic and other environmental contamination and contribute to a regional Great Lakes protection fund, address solid waste problems, treat sewage and other water quality problems, and reuse industrial sites and preserve open space. Public Act 328 of 1988 also specifies that not more than $425.0 million of the proceeds of these bonds will be available to clean up sites of toxic and other environmental contamination, not more than $150.0 million will be available for solid waste projects, not more than $60.0 million will be available to capitalize the State Water Pollution Control Loan Fund (recorded as equity transfers to that internal service fund), and not more than $25.0 million will be available to fund Michigan's participation in a regional Great Lakes Protection Fund. An initial bond sale of $65.0 million was made in November, 1989. An additional $25.0 million bond was issued and conveyed to the Great Lakes Protection Fund (an Illinois not-for-profit corporation) as Michigan's contribution to that multi-state joint venture. This amount is included in these statements as bond proceeds and fund expenditures. This fund is administered by the Department of Natural Resources.

MICHIGAN NATURAL RESOURCES TRUST FUND

The State Constitution was amended in 1984 to provide for a "Michigan Natural Resources Trust Fund." Public Act 101 of 1985 then merged the State Recreational Land Acquisition Trust Fund into the Michigan Natural Resources Trust Fund. Most rentals, royalties and other revenues derived from mineral, coal, oil, and gas interests on land owned by the State are credited to the fund for future purchases of land for recreational purposes, for administrative expenditures, and for the payment of any taxes owed by the State on the land. The fund is also required to make distributions through September 30, 2032 to the Michigan Strategic Fund.

WATER POLLUTION CONTROL BOND FUND

This fund was established by P.A. 329 of 1966 to account for the proceeds of $335.0 million of general obligation bonds approved by the people in November, 1968, for the prevention and abatement of water pollution. This approval was obtained under the general authority of Section 15, Article IX, of the 1963 Constitution and P.A. 76 of 1968. The proceeds of these bonds are used to assist local units of government in financing construction of facilities for treatment of sewage and other liquid wastes. The fund is administered by the Department of Natural Resources.

MICHIGAN NONGAME FISH AND WILDLIFE FUND

This fund was established by P.A. 189 of 1983 as amended by P.A. 145 of 1985 and P.A. 285 of 1986 to provide for research and management of nongame fish and wildlife, designated endangered species, and designated plant species of this state. Until 1994, or sooner if the assets of the fund exceed $6.0 million, Michigan state income taxpayers may designate $2 or more of their tax refund to this fund. The fund may also receive appropriations from other funds, donations, and investment income.

Annually, 20% or more of the fund's revenues must be retained for permanent investment. The State Treasurer directs the fund's investments. Expenditures for grants are appropriated and recorded in this fund. Other expenditures are appropriated and recorded in the General Fund, with financing provided by operating transfers from this fund.

STATE OF MICHIGAN
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS - CONSERVATION AND RECREATION RELATED
SEPTEMBER 30, 1990
(In Thousands)

	GAME AND FISH PROTECTION FUND	MICHIGAN STATE WATERWAYS FUND	MARINE SAFETY FUND	GAME AND FISH PROTECTION TRUST FUND	STATE PARK IMPROVEMENT FUND
ASSETS					
Current Assets:					
Cash and cash equivalents	$ 40	$ 4	$ -	$ 14	$ 47
Equity in Common Cash	5,447	15,749	3,602	27,833	3,193
Taxes, interest, and penalties receivable	-	9	-	-	-
Amounts due from other funds	-	-	-	-	-
Amounts due from federal agencies	703	587	572	-	-
Amounts due from local units	-	-	-	-	-
Inventories	-	50	-	-	-
Other current assets	8,152	3	-	503	-
Total Current Assets	14,344	16,404	4,174	28,352	3,241
Total Assets	$ 14,344	$ 16,404	$ 4,174	$ 28,352	$ 3,241
LIABILITIES AND FUND BALANCES					
Current Liabilities:					
Warrants outstanding	$ 9	$ 30	$ 20	$ -	$ 37
Accounts payable and other liabilities	82	938	7	-	675
Amounts due to other funds	-	-	-	-	3
Total Current Liabilities	92	968	28	-	716
Long-Term Liabilities:					
Deferred revenue	-	-	-	-	-
Total Liabilities	92	968	28	-	716
Fund Balances:					
Reserves for:					
Budgetary carry-forwards:					
Restricted revenues	5,097	5,689	-	-	-
Multi-year projects	1,332	6,839	-	-	4,098
Funds held as permanent investments	1,552	-	-	28,352	-
Total Reserved	7,983	12,528	-	28,352	4,098
Unreserved	6,268	2,907	4,146	-	(1,573)
Total Fund Balances	14,251	15,435	4,146	28,352	2,525
Total Liabilities and Fund Balances	$ 14,344	$ 16,404	$ 4,174	$ 28,352	$ 3,241

RECREATION BOND FUND–LOCAL PROJECTS	ENVIRONMENTAL PROTECTION BOND FUND	MICHIGAN NATURAL RESOURCES TRUST FUND	WATER POLLUTION CONTROL BOND FUND	MICHIGAN NONGAME FISH AND WILDLIFE FUND	TOTALS	
					SEPTEMBER 30, 1990	SEPTEMBER 30, 1989
$ –	$ –	$ –	$ –	$ –	$ 107	$ 1,214
1,208	58,490	154,760	5,411	1,559	277,257	187,627
–	–	–	–	–	9	11
–	–	–	–	–	–	4,000
–	–	–	–	–	1,862	2,269
–	–	–	360	–	360	387
–	–	–	–	–	50	126
–	–	4,292	–	15	12,967	12,822
1,208	58,490	159,052	5,771	1,574	292,614	208,460
$ 1,208	$ 58,490	$ 159,052	$ 5,771	$ 1,574	$ 292,614	$ 208,460
$ –	$ 54	$ 834	$ 243	$ 1	$ 1,232	$ 1,233
304	2,049	745	191	24	5,019	3,300
–	18,877	–	–	–	18,881	2,617
304	20,981	1,580	434	26	25,133	7,151
–	–	–	–	–	–	847
304	20,981	1,580	434	26	25,133	7,999
–	–	–	–	–	10,787	8,476
–	–	72,517	–	–	84,787	73,304
–	–	–	–	1,200	31,104	24,202
–	–	72,517	–	1,200	126,680	105,984
903	37,508	84,955	5,337	347	140,800	94,476
903	37,508	157,472	5,337	1,548	267,481	200,460
$ 1,208	$ 58,490	$ 159,052	$ 5,771	$ 1,574	$ 292,614	$ 208,460

STATE OF MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS – CONSERVATION AND RECREATION RELATED
FISCAL YEAR ENDED SEPTEMBER 30, 1990
(In Thousands)

	GAME AND FISH PROTECTION FUND	MICHIGAN STATE WATERWAYS FUND	MARINE SAFETY FUND	GAME AND FISH PROTECTION TRUST FUND	STATE PARK IMPROVEMENT FUND
REVENUES					
Taxes	$ –	$ 27	$ –	$ –	$ –
From federal agencies	2,216	2,143	572	–	–
From local agencies	–	–	–	–	–
From licenses and permits	39,360	4,743	4,625	–	–
Miscellaneous	1,192	2,796	207	7,209	74
Total Revenues	42,769	9,710	5,405	7,209	74
EXPENDITURES					
Current:					
Conservation, recreation, and agriculture.	26	2,876	2,029	2	–
Capital outlay	2,091	2,710	–	–	2,450
Total Expenditures	2,117	5,586	2,029	2	2,450
Excess of Revenues over (under) Expenditures	40,652	4,123	3,375	7,207	(2,375)
OTHER FINANCING SOURCES (USES)					
Proceeds from bond issues	–	–	–	–	–
Operating transfers in	4,385	9,947	–	–	5,791
Operating transfers out	(43,524)	(8,184)	(1,926)	(2,158)	(4,552)
Total Other Financing Sources (Uses)	(39,138)	1,762	(1,925)	(2,158)	1,238
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	1,513	5,886	1,450	5,049	(1,137)
Fund Balances – Beginning of fiscal year	12,738	9,549	2,696	23,302	3,662
Equity transfers to other funds	–	–	–	–	–
Fund Balances – End of fiscal year	$ 14,251	$ 15,435	$ 4,146	$ 28,352	$ 2,525

RECREATION BOND FUND–LOCAL PROJECTS	ENVIRONMENTAL PROTECTION BOND FUND	MICHIGAN NATURAL RESOURCES TRUST FUND	WATER POLLUTION CONTROL BOND FUND	MICHIGAN NONGAME FISH AND WILDLIFE FUND	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1990	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1989
$ –	$ –	$ –	$ –	$ –	$ 27	$ 54
–	–	1	–	–	4,933	4,119
–	–	–	62	–	62	367
–	–	–	–	–	48,730	46,738
120	4,653	48,233	539	692	65,721	59,458
120	4,653	48,235	602	692	119,475	110,738
332	32,337	3,979	1,534	199	43,318	9,731
–	–	9,086	–	–	16,338	17,703
332	32,337	13,065	1,534	199	59,656	27,435
(212)	(27,683)	35,169	(932)	493	59,818	83,302
1,500	89,998	–	–	–	91,498	–
–	–	–	–	45	20,170	18,592
(207)	(2,759)	(20,413)	(3)	(319)	(84,051)	(81,206)
1,292	87,238	(20,413)	(3)	(274)	27,617	(62,613)
1,079	59,554	14,756	(935)	219	87,436	20,689
(176)	(2,406)	143,492	6,273	1,329	200,460	181,090
–	(19,640)	(775)	–	–	(20,415)	(1,319)
$ 903	$ 37,508	$ 157,472	$ 5,337	$ 1,548	$ 267,481	$ 200,460

STATE OF MICHIGAN
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – SPECIAL REVENUE FUNDS – CONSERVATION AND RECREATION RELATED
FISCAL YEAR ENDED SEPTEMBER 30, 1990
(In Thousands)

Statutory/Budgetary Basis	GAME AND FISH PROTECTION FUND			MICHIGAN STATE WATERWAYS FUND		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES AND OTHER SOURCES						
Taxes	$ –	$ –	$ –	$ 27	$ 27	$ –
From federal agencies	2,216	2,216	–	2,143	2,143	–
From licenses and permits	31,220	39,360	8,140	4,743	4,743	–
Miscellaneous	1,177	1,192	15	2,796	2,796	–
Operating transfers in	3,262	4,385	1,123	9,947	9,947	–
Total Revenues and Other Sources	37,877	47,155	9,278	19,658	19,658	–
EXPENDITURES, OPERATING TRANSFERS OUT, AND ENCUMBRANCES – BY DEPARTMENT						
Natural Resources	46,407	45,641	765	14,673	13,771	901
Total Expenditures, Operating Transfers Out, and Encumbrances	46,407	45,641	765	14,673	13,771	901
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	$ (8,529)	1,513	$ 10,043	$ 4,984	5,886	$ 901
Reconciling Items:						
Funds not annually budgeted		–			–	
Net Reconciling Items		–			–	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		1,513			5,886	
FUND BALANCES (GAAP BASIS)						
Beginning balances		12,738			9,549	
Equity transfers to other funds		–			–	
Ending balances (GAAP Basis)		$ 14,251			$ 15,435	

MARINE SAFETY FUND			STATE PARK IMPROVEMENT FUND			MICHIGAN NATURAL RESOURCES TRUST FUND		
BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –
572	572	–	–	–	–	1	1	–
4,625	4,625	–	–	–	–	–	–	–
207	207	–	74	74	–	48,233	48,233	–
–	–	–	5,791	5,791	–	–	–	–
5,406	5,406	–	5,866	5,866	–	48,235	48,235	–
4,035	3,956	79	7,097	7,003	94	33,946	33,479	466
4,035	3,956	79	7,097	7,003	94	33,946	33,479	466
$ 1,371	1,450	$ 79	$ (1,231)	(1,137)	$ 94	$ 14,289	14,756	$ 466
	–			–			–	
	–			–			–	
	1,450			(1,137)			14,756	
	2,696			3,662			143,492	
	–			–			(775)	
	$ 4,146			$ 2,525			$ 157,472	

This schedule continued on next page.

STATE OF MICHIGAN
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –
SPECIAL REVENUE FUNDS – CONSERVATION AND RECREATION RELATED (Continued)
FISCAL YEAR ENDED SEPTEMBER 30, 1990
(In Thousands)

	MICHIGAN NONGAME FISH AND WILDLIFE FUND		
Statutory/Budgetary Basis	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES AND OTHER SOURCES			
Taxes	$ –	$ –	$ –
From federal agencies	–	–	–
From licenses and permits	–	–	–
Miscellaneous	692	692	–
Operating transfers in	45	45	–
Total Revenues and Other Sources	738	738	–
EXPENDITURES, OPERATING TRANSFERS OUT, AND ENCUMBRANCES – BY DEPARTMENT			
Natural Resources	519	519	–
Total Expenditures, Operating Transfers Out, and Encumbrances	519	519	–
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	$ 218	218	$ –
Reconciling Items:			
Funds not annually budgeted		–	
Net Reconciling Items		–	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		219	
FUND BALANCES (GAAP BASIS)			
Beginning balances		1,329	
Equity transfers to other funds		–	
Ending balances (GAAP Basis)		$ 1,548	

FUNDS NOT ANNUALLY BUDGETED				TOTALS		
GAME AND FISH PROTECTION TRUST FUND	RECREATION BOND FUND–LOCAL PROJECTS	ENVIRONMENTAL PROTECTION BOND FUND	WATER POLLUTION CONTROL BOND FUND			
ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
$ –	$ –	$ –	$ –	$ 27	$ 27	$ –
–	–	–	–	4,933	4,933	–
–	–	–	–	40,589	48,730	8,140
–	–	–	–	53,183	53,198	15
–	–	–	–	19,047	20,170	1,123
–	–	–	–	117,781	127,059	9,278
–	–	–	–	106,679	104,372	2,307
–	–	–	–	106,679	104,372	2,307
–	–	–	–	$ 11,101	22,687	$ 11,586
5,049	1,079	59,554	(935)		64,747	
5,049	1,079	59,554	(935)		64,748	
5,049	1,079	59,554	(935)		87,436	
23,302	(176)	(2,406)	6,273		200,460	
–	–	(19,640)	–		(20,415)	
$ 28,352	$ 903	$ 37,508	$ 5,337		$ 267,481	

THIS PAGE INTENTIONALLY BLANK

STATE OF MICHIGAN
DESCRIPTIONS OF SPECIAL REVENUE FUNDS - REGULATORY AND ADMINISTRATIVE RELATED
FISCAL YEAR ENDED SEPTEMBER 30, 1990

MICHIGAN EMPLOYMENT SECURITY ACT — ADMINISTRATION FUND

This fund was created by P.A. 1 of 1936 (Extra Session) to account for administrative costs of the Michigan Employment Security Commission (MESC). The fund derives most of its revenue from federal grants. It also receives transfers from the Michigan Employment Security Act Contingent Fund (an expendable trust fund) when approved by the commission or when appropriated by the Legislature. Expenditures for administration are subject to legislative appropriation.

Unemployment benefit payments to individuals are made directly from trust funds accumulated from employer premium payments. These activities are reported in the Michigan Unemployment Compensation Fund (a component unit reported as an expendable trust fund).

SAFETY EDUCATION AND TRAINING FUND

This fund was established by P.A. 24 of 1977, as amended, under the jurisdiction of the Department of Labor. The act imposes an annual levy on each insurance carrier licensed to do workers' disability compensation business in the State, on the Accident Fund of Michigan, and on each self-insured employer. The act also provides for deposit of these assessments in the Safety Education and Training Fund to finance the Safety Education and Training Division of the Department of Labor. These funds are annually appropriated by the Legislature for operations. These expenditures occur in the General Fund and are financed by operating transfers from this fund.

STATE CONSTRUCTION CODE FUND

The State Construction Code Fund was created by P.A. 371 of 1980. Fees received for building permit applications and other funds collected under this act are appropriated by the Legislature for the operation of the Department of Labor's Bureau of Construction Codes and related indirect overhead expenditures. These expenditures are recorded in the General Fund with an operating transfer being made from this fund to finance them.

HOMEOWNER CONSTRUCTION LIEN RECOVERY FUND

The Homeowner Construction Lien Recovery Fund was established by P.A. 497 of 1980 to allow contractors, subcontractors, suppliers, and laborers to collect payments for work done if they have not been paid despite filing a residential lien. The fund is self-sustaining and is financed by fees assessed on builders, electrical and plumbing contractors, and laborers. Expenditures are appropriated for and recorded in the General Fund with financing provided by operating transfers from the fund.

STATE OF MICHIGAN
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS - REGULATORY AND ADMINISTRATIVE RELATED
SEPTEMBER 30, 1990
(In Thousands)

	MICHIGAN EMPLOYMENT SECURITY ACT ADMS. FUND	SAFETY EDUCATION AND TRAINING FUND
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 88	$ 5
Equity in Common Cash	1,037	9,015
Amounts due from other funds	-	-
Amounts due from federal agencies	3,443	-
Amounts due from local units	65	-
Other current assets	4	293
Total Current Assets	4,640	9,314
Total Assets	$ 4,640	$ 9,314
LIABILITIES AND FUND BALANCES		
Current Liabilities:		
Warrants outstanding	$ 891	$ 2
Accounts payable and other liabilities	3,211	2
Amounts due to other funds	299	-
Deferred revenue	238	24
Total Current Liabilities	4,640	28
Total Liabilities	4,640	28
Fund Balances:		
Unreserved	-	9,286
Total Fund Balances	-0-	9,286
Total Liabilities and Fund Balances	$ 4,640	$ 9,314

STATE CONSTRUCTION CODE FUND	HOMEOWNER CONSTRUCTION LIEN RECOVERY FUND	TOTALS SEPTEMBER 30, 1990	TOTALS SEPTEMBER 30, 1989
$ 53	$ –	$ 147	$ 115
5,556	3,069	18,679	22,573
–	–	–	367
–	–	3,443	4,163
–	–	65	–
62	–	361	588
5,673	3,069	22,698	27,808
$ 5,673	$ 3,069	$ 22,698	$ 27,808
$ 5	$ –	$ 898	$ 985
8	1	3,224	6,439
–	–	299	612
–	–	262	2,068
14	1	4,685	10,105
14	1	4,685	10,105
5,658	3,068	18,013	17,702
5,658	3,068	18,013	17,702
$ 5,673	$ 3,069	$ 22,698	$ 27,808

STATE OF MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS - REGULATORY AND ADMINISTRATIVE RELATED
FISCAL YEAR ENDED SEPTEMBER 30, 1990
(In Thousands)

	MICHIGAN EMPLOYMENT SECURITY ACT ADMS. FUND	SAFETY EDUCATION AND TRAINING FUND
REVENUES		
From federal agencies	$ 123,707	$ -
From local agencies	1,620	-
From licenses and permits	-	-
Miscellaneous	300	4,002
Total Revenues	125,628	4,002
EXPENDITURES		
Current:		
Labor, commerce, and regulatory	124,269	-
Capital outlay	54	-
Debt service:		
Capital lease payments	806	-
Total Expenditures	125,130	-
Excess of Revenues over (under) Expenditures	498	4,002
OTHER FINANCING SOURCES (USES)		
Capital lease acquisitions	1,027	-
Operating transfers in	3,058	10
Operating transfers out	(4,585)	(3,505)
Total Other Financing Sources (Uses)	(498)	(3,494)
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	-	507
Fund Balances - Beginning of fiscal year	-0-	8,778
Equity transfers to other funds	-	-
Fund Balances - End of fiscal year	$ -0-	$ 9,285

STATE CONSTRUCTION CODE FUND	HOMEOWNER CONSTRUCTION LIEN RECOVERY FUND	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1990	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1989
$ -	$ -	$ 123,707	$ 125,119
-	-	1,620	1,463
6,797	-	6,797	5,509
522	564	5,390	5,140
7,320	564	137,516	137,232
-	-	124,269	125,940
-	-	54	-
-	-	806	1,905
-	-	125,130	127,845
7,320	564	12,386	9,386
-	-	1,027	2,215
15	-	3,084	2,926
(7,595)	(501)	(16,187)	(13,673)
(7,580)	(501)	(12,075)	(8,532)
(260)	63	310	854
5,919	3,005	17,702	23,164
-	-	-	(6,316)
$ 5,658	$ 3,068	$ 18,013	$ 17,702

STATE OF MICHIGAN
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS - REGULATORY AND ADMINISTRATIVE RELATED
FISCAL YEAR ENDED SEPTEMBER 30, 1990
(In Thousands)

	MICHIGAN EMPLOYMENT SECURITY ACT ADMINISTRATION FUND		
Statutory/Budgetary Basis	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES AND OTHER SOURCES			
From federal agencies	$ 125,346	$ 123,707	$ (1,638)
From local agencies	1,854	1,620	(233)
From licenses and permits	-	-	-
Miscellaneous	265	300	34
Operating transfers in	3,032	3,058	26
Total Revenues and Other Sources	130,498	128,687	(1,811)
EXPENDITURES, OPERATING TRANSFERS OUT, AND ENCUMBRANCES - BY DEPARTMENT			
Labor	128,687	128,687	-
Licensing and Regulation	-	-	-
Total Expenditures, Operating Transfers Out, and Encumbrances	128,687	128,687	-
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	$ 1,811	-	$ (1,811)
Net Reconciling Items		-	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		-	
FUND BALANCES (GAAP BASIS)			
Beginning balances		-0-	
Equity transfers to other funds		-	
Ending balances (GAAP Basis)		$ -0-	

SAFETY EDUCATION AND TRAINING FUND			STATE CONSTRUCTION CODE FUND		
BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
$ –	$ –	$ –	$ –	$ –	$ –
–	–	–	–	–	–
–	–	–	6,797	6,797	–
4,002	4,002	–	522	522	–
10	10	–	15	15	–
4,012	4,012	–	7,335	7,335	–
3,612	3,505	106	7,680	7,595	84
–	–	–	–	–	–
3,612	3,505	106	7,680	7,595	84
$ 400	507	$ 106	$ (344)	(260)	$ 84
	–			–	
	507			(260)	
	8,778			5,919	
	–			–	
	$ 9,286			$ 5,658	

This schedule continued on next page.

STATE OF MICHIGAN
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –
SPECIAL REVENUE FUNDS – REGULATORY AND ADMINISTRATIVE RELATED (Continued)
FISCAL YEAR ENDED SEPTEMBER 30, 1990
(In Thousands)

	HOMEOWNER CONSTRUCTION LEIN RECOVERY FUND		
Statutory/Budgetary Basis	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES AND OTHER SOURCES			
From federal agencies	$ –	$ –	$ –
From local agencies	–	–	–
From licenses and permits	–	–	–
Miscellaneous	564	564	–
Operating transfers in	–	–	–
Total Revenues and Other Sources	564	564	–
EXPENDITURES, OPERATING TRANSFERS OUT, AND ENCUMBRANCES – BY DEPARTMENT			
Labor	–	–	–
Licensing and Regulation	772	501	270
Total Expenditures, Operating Transfers Out, and Encumbrances	772	501	270
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	$ (207)	63	$ 270
Net Reconciling Items		–	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		63	
FUND BALANCES (GAAP BASIS)			
Beginning balances		3,005	
Equity transfers to other funds		–	
Ending balances (GAAP Basis)		$ 3,068	

TOTALS		
BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
$ 125,346	$ 123,707	$ (1,638)
1,854	1,620	(233)
6,797	6,797	-
5,355	5,390	34
3,058	3,084	26
142,411	140,600	(1,811)
139,979	139,788	191
772	501	270
140,751	140,289	461
$ 1,660	310	$ (1,349)
	-	
	310	
	17,702	
	-	
	$ 18,013	

STATE OF MICHIGAN
DESCRIPTIONS OF SPECIAL REVENUE FUNDS – OTHER STATE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 1990

COUNTER-CYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND

This fund, which is commonly referred to as the Budget Stabilization Fund, was created by P.A. 76 of 1977 to assist in stabilizing revenue and employment during periods of economic recession and high unemployment. In general, transfers are made into this fund from the General Fund during improving economic times and funds flow from this fund to the General Fund in times of declining economy. In the event that the fund balance at year end exceeds 25% of the actual General Fund general purpose revenue for the fiscal year, the law provides that the excess be rebated on the individual income tax returns filed in the following fiscal year.

Amounts transferred to the fund are limited to actual appropriations made annually by the Legislature. Such appropriations may be based on a formula that is dependent on the annual growth rate as defined by the statute. The balances in the fund are held in the State's common cash pool and interest earnings are credited as revenues of the fund. Transfers from the fund are based upon a formula which is dependent upon unemployment rates; however, under certain conditions the Legislature may override the formula and make limited appropriations from the fund for capital outlay projects. Transfers from the fund for other purposes can also be authorized by amending the statute.

MICHIGAN VETERANS' TRUST FUND

This fund was created by P.A. 9 of 1946 (First Extra Session) to finance programs to assist veterans and their beneficiaries. It is administered within the Department of Management and Budget and is governed by a six member board of trustees. Resources are provided by investment and common cash earnings and by transfers from the General Fund (described below). Expenditures and transfers out reflect grants to veterans and their widows or dependents and administrative costs at both the State and local level.

When the fund was created, investments of $50.0 million were transferred to it to be used to generate income for the fund. The amounts reserved for investment have, by statute, been periodically transferred back (in 1959 and 1976) to the General Fund. This is described in the "Interfund Commitments" note to the General Purpose Financial Statements.

SCHOOL AID FUND

This fund was created in 1955 by an amendment to the 1908 Constitution. Its continued existence was provided for by the 1963 Constitution. Its purpose is to furnish aid to school districts and provide financing for the Public School Employees' Retirement System. Payments of aid to school districts are based on a statutory formula.

The fund receives State revenues restricted to local school programs, including: the constitutional dedication of sixty percent of sales tax receipts; State Lottery Fund earnings; and portions of the cigarette, liquor, and industrial and commercial facilities taxes. Appropriated transfers from the General Fund are made to fund the difference between required payments and restricted financing sources.

SCHOOL BOND LOAN FUND

The 1963 Constitution (Art. IX, Sec. 16) and P.A. 74 of 1955 authorized the issuance of State general obligation bonds to provide funds for loans to school districts. Loans are made for the payment of principal and interest on school district bonds under prescribed circumstances. The unreserved fund balance of this fund represents the amount available for making additional loans.

The proceeds of State bonds, as well as bond anticipation notes, are credited to the fund as an "Other Financing Source." When loans are made, operating transfers are recorded to the School Loan Bond Redemption Fund, the debt service fund which receives loan payments and services the State's bonds. The loans receivable are recorded as assets in the debt service fund.

CHILDREN'S TRUST FUND

The Children's Trust Fund was established by P.A. 249 of 1982 to support the State Child Abuse and Neglect Prevention Board. Established under P.A. 250 of 1982, the purpose of the board is to coordinate and fund activities for the prevention of child abuse and neglect in the State.

Revenues are derived from taxpayer donations made on the individual's income tax return, other gifts, interest earnings, and grants from the federal government. One half of the donations made on income tax returns are placed in a trust corpus. When the total assets of the fund exceed $20 million, the earnings credited to the fund will be available for disbursement. Until that time, the amount available for disbursement is limited to 1/2 of tax refund designations, all additional donations and grants, and interest earnings credited to the fund in previous years.

STATE BUILDING AUTHORITY ADVANCE FINANCING FUND

This fund was administratively established to account for expenditures incurred for higher education related projects prior to the issuance of State Building Authority bonds. Appropriation acts provide temporary financing of such expenditures for legislatively authorized projects. Expenditures on behalf of the State Building Authority are recorded when incurred. At year-end, any deficit in the common cash pool is reclassified as a payable to the General Fund. In addition to advance expenditures, expenditures financed by the General Fund or other sources related to State Building Authority projects are recorded in this fund.

The State Building Authority in its statements does not recognize liabilities for these projects until bonds are issued; therefore, until that time, no receivables from the Authority are recognized. This results in the fund showing a year-end fund balance deficit. When the Authority issues bonds and reimburses the State, the Authority reimburses this fund by recording an operating transfer and the deficit is eliminated.

STATE OF MICHIGAN
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS – OTHER STATE FUNDS
SEPTEMBER 30, 1990
(In Thousands)

	COUNTER-CYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND	MICHIGAN VETERANS' TRUST FUND	SCHOOL AID FUND
ASSETS			
Current Assets:			
Cash and cash equivalents	$ –	$ 3	$ –
Equity in Common Cash	385,074	1,211	–
Taxes, interest, and penalties receivable	–	–	151,253
Amounts due from other funds	–	170	–
Amounts due from federal agencies	–	–	–
Amounts due from local units	–	351	7,280
Other current assets	–	812	–
Total Current Assets	385,074	2,549	158,533
Taxes, interest, and penalties receivable	–	–	5,965
Advances to other funds	–	1,620	–
Amounts due from local units	–	–	14,995
Investments	–	30,400	–
Total Assets	$ 385,074	$ 34,570	$ 179,495
LIABILITIES AND FUND BALANCES			
Current Liabilities:			
Warrants outstanding	$ –	$ 32	$ 428
Accounts payable and other liabilities	–	223	5,705
Amounts due to other funds	–	–	152,400
Total Current Liabilities	–	255	158,533
Long-Term Liabilities:			
Deferred revenue	–	–	5,965
Total Liabilities	–	255	164,499
Fund Balances:			
Reserves for:			
Budgetary carry-forwards:			
Encumbrances	–	–	–
Restricted revenues	–	2,103	–
Funds held as permanent investments	–	32,210	–
Noncurrent assets	–	–	14,995
Total Reserved	–	34,313	14,995
Unreserved	385,074	1	–
Total Fund Balances	385,074	34,314	14,995
Total Liabilities and Fund Balances	$ 385,074	$ 34,570	$ 179,495

SCHOOL BOND LOAN FUND	CHILDREN'S TRUST FUND	STATE BUILDING AUTHORITY ADVANCE FINANCING FUND	TOTALS	
			SEPTEMBER 30, 1990	SEPTEMBER 30, 1989
$ –	$ –	$ –	$ 3	$ 2
12	343	–	386,641	415,049
–	–	–	151,253	144,125
–	–	–	170	9,917
–	–	–	–	172
–	–	–	7,631	15,409
–	88	–	900	914
12	431	–	546,601	585,592
–	–	–	5,965	4,257
–	–	–	1,620	1,781
–	–	–	14,995	13,727
–	3,096	–	33,497	29,362
$ 12	$ 3,528	$ -0-	$ 602,681	$ 634,721
$ –	$ 27	$ 4,700	$ 5,187	$ 411
–	67	7,377	13,373	10,715
–	–	19,564	171,965	188,483
–	94	31,641	190,525	199,610
–	–	–	5,965	4,257
–	94	31,641	196,491	203,868
–	16	–	16	4
–	–	–	2,103	1,570
–	3,393	–	35,603	34,978
–	–	–	14,995	13,727
–	3,409	–	52,719	50,280
12	24	(31,641)	353,470	380,572
12	3,434	(31,641)	406,189	430,852
$ 12	$ 3,528	$ -0-	$ 602,681	$ 634,721

STATE OF MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS – OTHER STATE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 1990
(In Thousands)

	COUNTER-CYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND	MICHIGAN VETERANS' TRUST FUND	SCHOOL AID FUND
REVENUES			
Taxes	$ –	$ –	$ 1,705,318
From federal agencies	–	–	47,301
From local agencies	–	–	1,197
Miscellaneous	35,758	2,991	2,010
Total Revenues	35,758	2,991	1,755,827
EXPENDITURES			
Current:			
General government	–	4,548	–
Education	–	–	2,992,824
Total Expenditures	–	4,548	2,992,824
Excess of Revenues over (under) Expenditures	35,758	(1,556)	(1,236,997)
OTHER FINANCING SOURCES (USES)			
Proceeds from bond and bond anticipation note issues	–	–	–
Operating transfers in:			
From State Lottery Fund	–	–	489,130
From other funds	–	5,282	749,134
Total operating transfers in	–	5,282	1,238,265
Operating transfers out	(69,898)	(4,047)	–
Total Other Financing Sources (Uses)	(69,898)	1,235	1,238,265
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(34,139)	(321)	1,267
Fund Balances – Beginning of fiscal year	419,213	34,636	13,727
Equity transfers to other funds	–	–	–
Fund Balances – End of fiscal year	$ 385,074	$ 34,314	$ 14,995

SCHOOL BOND LOAN FUND	CHILDREN'S TRUST FUND	STATE BUILDING AUTHORITY ADVANCE FINANCING FUND	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1990	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1989
$ -	$ -	$ -	$ 1,705,318	$ 1,681,651
-	195	-	47,496	47,458
-	-	-	1,197	839
-	1,200	-	41,961	47,333
-	1,395	-	1,795,974	1,777,283
-	1,062	-	5,610	5,885
52	-	54,623	3,047,501	2,727,908
52	1,062	54,623	3,053,112	2,733,793
(52)	333	(54,623)	(1,257,138)	(956,510)
3,725	-	-	3,725	3,400
-	-	-	489,130	483,961
-	20	62,871	817,307	483,304
-	20	62,871	1,306,438	967,266
(3,733)	(9)	-	(77,688)	(18,955)
(8)	10	62,871	1,232,475	951,711
(61)	343	8,247	(24,663)	(4,798)
73	3,090	(39,889)	430,852	436,972
-	-	-	-	(1,320)
$ 12	$ 3,434	$ (31,641)	$ 406,189	$ 430,852

STATE OF MICHIGAN
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – SPECIAL REVENUE FUNDS – OTHER STATE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 1990
(In Thousands)

Statutory/Budgetary Basis	COUNTER-CYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES AND OTHER SOURCES			
Taxes	$ –	$ –	$ –
From federal agencies	–	–	–
From local agencies	–	–	–
Miscellaneous	35,758	35,758	–
Operating transfers in	–	–	–
Total Revenues and Other Sources	35,758	35,758	–
EXPENDITURES, OPERATING TRANSFERS OUT, AND ENCUMBRANCES – BY DEPARTMENT			
Management and Budget	69,898	69,898	–
Education	–	–	–
Total Expenditures, Operating Transfers Out, and Encumbrances	69,898	69,898	–
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	$ (34,139)	(34,139)	$ –
Reconciling Items:			
Encumbrances at September 30		–	
Funds not annually budgeted		–	
Net Reconciling Items		–	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		(34,139)	
FUND BALANCES (GAAP BASIS)			
Beginning balances		419,213	
Ending balances (GAAP Basis)		$ 385,074	

MICHIGAN VETERANS' TRUST FUND			SCHOOL AID FUND		
BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
$ -	$ -	$ -	$ 1,703,994	$ 1,705,318	$ 1,324
-	-	-	47,301	47,301	-
-	-	-	1,197	1,197	-
2,991	2,991	-	-	2,010	2,010
5,282	5,282	-	1,238,138	1,238,265	126
8,274	8,274	-	2,990,632	2,994,092	3,460
10,654	8,595	2,058	-	-	-
-	-	-	2,992,816	2,992,824	(8)
10,654	8,595	2,058	2,992,816	2,992,824	(8)
$ (2,379)	(321)	$ 2,058	$ (2,184)	1,267	$ 3,451
	-			-	
	-			-	
	-			-	
	(321)			1,267	
	34,636			13,727	
	$ 34,314			$ 14,995	

This schedule continued on next page.

STATE OF MICHIGAN
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – SPECIAL REVENUE FUNDS – OTHER STATE FUNDS (Continued)
FISCAL YEAR ENDED SEPTEMBER 30, 1990
(In Thousands)

Statutory/Budgetary Basis	CHILDREN'S TRUST FUND BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES AND OTHER SOURCES			
Taxes	$ –	$ –	$ –
From federal agencies	195	195	–
From local agencies	–	–	–
Miscellaneous	1,200	1,200	–
Operating transfers in	20	20	–
Total Revenues and Other Sources	1,415	1,415	–
EXPENDITURES, OPERATING TRANSFERS OUT, AND ENCUMBRANCES – BY DEPARTMENT			
Management and Budget	1,967	1,088	878
Education	–	–	–
Total Expenditures, Operating Transfers Out, and Encumbrances	1,967	1,088	878
Revenues and Other Sources over (under) Expenditures, Encumbrances, and Other Uses (Statutory/budgetary basis)	$ (551)	327	$ 878
Reconciling Items:			
Encumbrances at September 30		16	
Funds not annually budgeted		–	
Net Reconciling Items		16	
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses (GAAP Basis)		343	
FUND BALANCES (GAAP BASIS)			
Beginning balances		3,090	
Ending balances (GAAP Basis)		$ 3,434	

FUNDS NOT ANNUALLY BUDGETED		TOTALS		
SCHOOL BOND LOAN FUND ACTUAL	STATE BUILDING AUTHORITY ADVANCE FINANCING FUND ACTUAL	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
$ -	$ -	$ 1,703,994	$ 1,705,318	$ 1,324
-	-	47,496	47,496	-
-	-	1,197	1,197	-
-	-	39,950	41,961	2,010
-	-	1,243,441	1,243,567	126
-	-	3,036,080	3,039,541	3,460
-	-	82,519	79,582	2,937
-	-	2,992,816	2,992,824	(8)
-	-	3,075,336	3,072,407	2,928
-	-	$ (39,255)	(32,866)	$ 6,389
-	-		16	
(61)	8,247		8,186	
(61)	8,247		8,202	
(61)	8,247		(24,663)	
73	(39,889)		430,852	
$ 12	$ (31,641)		$ 406,189	

THIS PAGE INTENTIONALLY BLANK

STATE OF MICHIGAN
DESCRIPTIONS OF SPECIAL REVENUE FUNDS - COMPONENT UNITS
FISCAL YEAR ENDED SEPTEMBER 30, 1990

STATE BUILDING AUTHORITY

The State Building Authority was created pursuant to P.A. 183 of 1964, as amended, to issue bonds to finance the acquisition and renovation of buildings for use by the State or public institutions of higher education. Public Act 248 of 1988 also permits Authority bonding of state equipment. The five members of the Authority are appointees of the Governor.

The special revenue fund, which accounts for construction costs for higher education projects and certain equipment financing, reports bond proceeds as an "other financing source," investment revenue earned during construction as "miscellaneous revenue," and construction expenditures as grant expenditures. Operating transfers out reflect transfers to the debt service fund of proceeds dedicated for debt service, reimbursements to the State Building Authority Advance Financing Fund for expenditures incurred prior to bonding, and the transfer of assets remaining after a project's completion to the debt service fund.

MICHIGAN HIGHER EDUCATION FACILITIES AUTHORITY

Public Act 295 of 1969, as amended, authorized the creation of the Michigan Higher Education Facilities Authority for the purpose of assisting private nonprofit institutions of higher education in financing their facilities. The Authority consists of an eleven member commission, nine of whom are appointed by the Governor with the advice and consent of the Senate and two of whom are ex officio (the Superintendent of Public Instruction and Director of the Department of Management and Budget). Financing for capital improvements is provided by issuance of limited obligation revenue bonds, which are not recorded as liabilities of the Authority. The footnote to the General Purpose Financial Statements entitled "General Long-Term Obligations" explains these more fully.

MICHIGAN FAMILY FARM DEVELOPMENT AUTHORITY

The Michigan Family Farm Development Authority was created by P.A. 220 of 1982 to assist beginning farmers in financing the purchase of agricultural land and equipment. Members of the Authority are appointed by the Governor. Financing for the loans to beginning farmers is provided by issuance of limited obligation revenue bonds, which are not recorded as liabilities of the Authority because of their nature. The footnote to the General Purpose Financial Statements entitled "General Long-Term Obligations" explains these more fully. The Authority's administrative operations, which are reflected in these statements, are financed by loan application and issuance fees and subsidies from the General Fund as appropriated within the Department of Agriculture.

Subsequent to September 30, 1990, action was taken to terminate the operations of the Authority and to discontinue making new loans. Outstanding loans, however, will be collected as they become due.

MACKINAC BRIDGE AUTHORITY

The Authority was created by P.A. 21 of 1950. Public Act 214 of 1952, as amended, empowered the Authority to construct and operate a bridge between the lower peninsula of Michigan and the upper peninsula. Financing for the operation and maintenance of the bridge is provided by fares and earnings on investments. State statutes require that the Authority continue charging bridge tolls and begin repaying State funds for all the subsidies provided in prior years. The Authority has not recorded a liability and the State funds have not recorded receivables for the subsidies because the reimbursements are contingent upon future net revenues and the repayment commitment is long-term and budgetary in nature.

STATE OF MICHIGAN
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS – COMPONENT UNITS
SEPTEMBER 30, 1990
(In Thousands)

	STATE BUILDING AUTHORITY	MICHIGAN HIGHER EDUCATION FACILITIES AUTHORITY	MICHIGAN FAMILY FARM DEVELOPMENT AUTHORITY
ASSETS			
Current assets:			
Cash and cash equivalents	$ –	$ –	$ 48
Amounts due from other funds	–	65	–
Investments	34,854	–	–
Other current assets	509	7	–
Total Current Assets	35,364	73	48
Total Assets	$ 35,364	$ 73	$ 48
LIABILITIES AND FUND BALANCES			
Current Liabilities:			
Accounts payable and other liabilities	$ 5,977	$ –	$ –
Amounts due to other funds	1,851	–	–
Deferred revenue	–	23	–
Total Current Liabilities	7,828	23	–
Long-Term Liabilities:			
Deferred revenue	–	–	–
Total Liabilities	7,828	23	–
Fund Balances:			
Reserves for:			
Construction and debt service	27,535	–	–
Total Reserved	27,535	–	–
Unreserved	–	50	48
Total Fund Balances	27,535	50	48
Total Liabilities and Fund Balances	$ 35,364	$ 73	$ 48

MACKINAC BRIDGE AUTHORITY	TOTALS SEPTEMBER 30, 1990	SEPTEMBER 30, 1989
$ 110	$ 159	$ 173
–	65	63
17,282	52,136	41,004
54	571	776
17,447	52,933	42,017
$ 17,447	$ 52,933	$ 42,017
$ 57	$ 6,034	$ 4,329
246	2,097	3,872
70	94	172
374	8,226	8,374
79	79	–
453	8,305	8,374
–	27,535	19,543
–	27,535	19,543
16,993	17,091	14,099
16,993	44,627	33,643
$ 17,447	$ 52,933	$ 42,017

STATE OF MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS – COMPONENT UNITS
FISCAL YEAR ENDED SEPTEMBER 30, 1990
(In Thousands)

	STATE BUILDING AUTHORITY	MICHIGAN HIGHER EDUCATION FACILITIES AUTHORITY	MICHIGAN FAMILY FARM DEVELOPMENT AUTHORITY
REVENUES			
From services	$ –	$ 53	$ –
From licenses and permits	–	–	–
Miscellaneous	3,097	–	4
Total Revenues	3,097	53	4
EXPENDITURES			
Current:			
Education	55,695	53	–
Conservation, recreation, and agriculture	–	–	51
Transportation	–	–	–
Total Expenditures	55,695	53	51
Excess of Revenues over (under) Expenditures	(52,598)	–	(47)
OTHER FINANCING SOURCES (USES)			
Proceeds from bond issues	139,749	–	–
Operating transfers in	1,159	–	48
Operating transfers out	(80,318)	–	–
Total Other Financing Sources (Uses)	60,590	–	48
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	7,992	–	1
Fund Balances – Beginning of fiscal year	19,543	50	46
Fund Balances – End of fiscal year	$ 27,535	$ 50	$ 48

MACKINAC BRIDGE AUTHORITY	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1990	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1989
$ -	$ 53	$ 74
6,340	6,340	6,199
1,234	4,336	3,566
7,575	10,730	9,839
-	55,749	20,282
-	51	54
4,585	4,585	4,198
4,585	60,385	24,535
2,990	(49,654)	(14,696)
-	139,749	8,043
-	1,208	54
-	(80,318)	(2,649)
-	60,639	5,449
2,990	10,984	(9,246)
14,003	33,643	42,890
$ 16,993	$ 44,627	$ 33,643

STATE OF MICHIGAN
DESCRIPTIONS OF DEBT SERVICE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 1990

COMBINED STATE TRUNKLINE BOND AND INTEREST REDEMPTION FUND

This fund was established pursuant to P.A. 51 of 1951, as amended, to account for debt service on all State Trunkline Fund related bond issues. The bonds are not general obligations of the State but are payable solely out of funds restricted as to use for transportation purposes by Section 9 of Article IX of the Michigan Constitution and irrevocably pledged by law for deposit in the State Trunkline Fund. Debt service requirements are funded by annual appropriations in the State Trunkline Fund.

WATER POLLUTION CONTROL BOND AND INTEREST REDEMPTION FUND

Public Act 329 of 1966 established this fund to account for the retiring of bond issues of the Water Pollution Control Bond Fund. The Legislature appropriates funds from the General Fund to meet the bond principal and interest requirements and paying agent fees.

COMBINED COMPREHENSIVE TRANSPORTATION BOND AND INTEREST REDEMPTION FUND

This fund was established pursuant to P.A. 51 of 1951, as amended, to account for debt service on all Comprehensive Transportation Fund related bond issues. The bonds are not general obligations of the State but are payable solely out of funds restricted as to use for comprehensive transportation purposes by Section 9 of Article IX of the Michigan Constitution and irrevocably pledged by law for deposit in the Comprehensive Transportation Fund. Debt service requirements are funded by annual appropriations in the Comprehensive Transportation Fund.

VIETNAM VETERAN ERA BONUS BOND REDEMPTION FUND

Created by P.A. 370 of 1974, the purpose of this fund is to account for the debt service of general obligation bonds which were issued to finance bonuses paid to veterans or their beneficiaries. Financing is provided by an annual appropriation in the General Fund. Since the final debt service payments on the bonds were made during this fiscal year, the fund no longer exists as of September 30, 1990.

RECREATION AND ENVIRONMENTAL PROTECTION BOND REDEMPTION FUND

This fund was established pursuant to P.A. 326 and 327 of 1988 and services bond issues of the Recreation Bond Fund-Local Projects, Recreation Bond Fund-State Projects, and the Environmental Protection Bond Fund. Financing of debt retirement, interest expense, and paying agent fees is provided by annual legislative appropriation from the General Fund.

SCHOOL LOAN BOND REDEMPTION FUND

Public Act 74 of 1955 established this fund to account for debt service on general obligation bonds issued to finance loans to local school districts. The School Bond Loan Fund, a special revenue fund, receives the State bond proceeds and makes the loans. Because loan repayments accrue first to this debt service fund, an operating transfer is recorded to this fund when loans are made and the receivables are recorded as debt service fund assets. The unreserved fund balance of this fund represents amounts currently available for debt service.

The loans carry variable interest rates and repayment is to be in accordance with the statute. Each school district is required to levy on its tax rolls not less than 7 mills on each dollar of its assessed valuation as last equalized by the State, exclusive of any levy for unqualified bonds or for school operating purposes, until all loans made to the school district are repaid with interest. The entire balance of loans and accrued interest receivable is classified as a long term asset.

Fund balance is fully reserved for the amount of principal receivable. Recognition of interest income is deferred because it is not available, which results in the amount recorded as long-term deferred revenue on the balance sheet. A statutory formula prescribes that loan repayments are first used to meet debt service requirements. If loan repayments exceed statutorily prescribed debt service requirements, the excess is transferred to the School Bond Loan Fund where it can be used to finance new loans. When debt service requirements exceed the amounts provided by loan repayments, the excess is funded by a transfer from the General Fund.

STATE PARK REVENUE BOND FUND

This fund was created pursuant to P.A. 149 of 1960, as amended by P.A. 286 of 1967. It initiated a State park improvement program by authorizing the Department of Natural Resources to issue up to $20 million of revenue dedicated bonds to finance land acquisition, construction, and improvement of State parks.

This legislation also provides that park permit fees for motor vehicle entry into certain State parks be deposited with the State Treasurer who is designated as fiscal agent. Such proceeds are to be allocated in the following order of priority: debt service requirements, fiscal agent expenses, bond reserve, operations and park improvements. Operating transfers out of this fund consist mainly of amounts transferred to the State Park Improvement Fund to finance park operations and improvements as appropriated by the Legislature.

STATE BUILDING AUTHORITY

The State Building Authority was created pursuant to P.A. 183 of 1964, as amended, to issue bonds to finance the acquisition or renovation of buildings for use by the State or public institutions of higher education. Public Act 248 of 1988 also permits Authority bonding of state equipment. Bond proceeds used to exercise purchase options on leased equipment of governmental funds were recorded in this fund.

Each project of the Authority is financed by specific callable bonds, the proceeds of which can only be used for construction and debt service on that project. For completed projects, the resources to finance bond interest and redemption are provided by operating transfers from the General Fund and from investments and earnings of this fund. During construction, debt service requirements are financed by a portion of the bond proceeds which are dedicated for that purpose. When a project is completed, the remaining net assets are transferred to this fund where they are invested and used for debt service. Excess balances related to a particular bond series remaining in the fund after the final payment on the bond series are transferred to the General Fund.

STATE OF MICHIGAN
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
SEPTEMBER 30, 1990
(In Thousands)

	COMBINED STATE TRUNKLINE BOND AND INTEREST REDEMPTION FUND	WATER POLLUTION CONTROL BOND AND INTEREST REDEMPTION FUND	COMBINED COMPREHFNSIVE TRANSPORTATION BOND AND INTEREST REDEMPTION FUND
ASSETS			
Current Assets:			
Cash and cash equivalents	$ –	$ –	$ –
Equity in Common Cash	21	–	14
Amounts due from other funds	–	–	–
Investments	–	–	–
Other current assets	–	–	–
Total Current Assets	21	–	14
Amounts due from local units	–	–	–
Investments	–	–	–
Other noncurrent assets	–	–	–
Total Assets	$ 21	$ -0-	$ 14
LIABILITIES AND FUND BALANCES			
Current Liabilities:			
Accounts payable and other liabilities	$ –	$ –	$ –
Amounts due to other funds	–	–	–
Total Current Liabilities	–	–	–
Long Term Liabilities:			
Deferred revenue	–	–	–
Total Liabilities	–	–	–
Fund Balances:			
Reserves for:			
Budgetary carry-forwards:			
Restricted revenues	–	–	–
Noncurrent assets	–	–	–
Total Reserved	–	–	–
Unreserved	21	–	14
Total Fund Balances	21	-0-	14
Total Liabilities and Fund Balances	$ 21	$ -0-	$ 14

RECREATION AND ENVIRONMENTAL PROTECTION BOND REDEMPTION FUND	SCHOOL LOAN BOND REDEMPTION FUND	STATE PARK REVENUE BOND FUND	STATE BUILDING AUTHORITY	TOTALS SEPTEMBER 30, 1990	TOTALS SEPTEMBER 30, 1989
$ -	$ -	$ -	$ 1,413	$ 1,413	$ 2,027
-	6,538	-	-	6,574	5,477
-	-	6	1,869	1,875	7,737
-	-	3,171	165,814	168,986	129,920
-	-	-	3,773	3,773	5,045
-	6,538	3,177	172,870	182,622	150,210
-	129,715	-	-	129,715	123,462
-	-	-	63,560	63,560	72,177
-	-	376	-	376	109
$ -0-	$ 136,254	$ 3,553	$ 236,430	$ 376,274	$ 345,960
$ -	$ -	$ -	$ 2,163	$ 2,163	$ -
-	-	-	148	148	185
-	-	-	2,311	2,311	185
-	51,763	-	-	51,763	49,028
-	51,763	-	2,311	54,074	49,213
-	-	786	-	786	247
-	77,952	-	-	77,952	74,434
-	77,952	786	-	78,738	74,681
-	6,538	2,767	234,119	243,461	222,064
-0-	84,490	3,553	234,119	322,200	296,746
$ -0-	$ 136,254	$ 3,553	$ 236,430	$ 376,274	$ 345,960

STATE OF MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 1990
(In Thousands)

	COMBINED STATE TRUNKLINE BOND AND INTEREST REDEMPTION FUND	WATER POLLUTION CONTROL BOND AND INTEREST REDEMPTION FUND	COMBINED COMPREHENSIVE TRANSPORTATION BOND AND INTEREST REDEMPTION FUND	VIETNAM VETERAN ERA BONUS BOND REDEMPTION FUND
REVENUES				
From licenses and permits	$ -	$ -	$ -	$ -
Miscellaneous	24	-	1	-
Total Revenues	24	-	1	-
EXPENDITURES				
Current:				
General government	-	-	-	-
Debt Service:				
Bond principal retirement	11,060	13,000	6,225	5,000
Bond interest and fiscal charges	18,034	4,471	14,442	149
Capital lease payments	-	-	-	-
Total Expenditures	29,094	17,471	20,667	5,149
Excess of Revenues over (under) Expenditures	(29,070)	(17,471)	(20,666)	(5,149)
OTHER FINANCING SOURCES (USES)				
Proceeds from bond issues	-	-	-	-
Proceeds from refunding bond issue	9,200	-	-	-
Payment to refunded bond escrow agent	(9,200)	-	-	-
Operating transfers in	29,063	17,471	20,667	5,149
Operating transfers out	-	-	-	-
Total Other Financing Sources (Uses)	29,063	17,471	20,667	5,149
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(6)	-	-	-
Fund Balances - Beginning of fiscal year	21	-0-	13	-0-
Equity transfers from other funds	7	-	-	-
Fund Balances - End of fiscal year	$ 21	$ -0-	$ 14	$ -0-

RECREATION AND ENVIRONMENTAL PROTECTION BOND REDEMPTION FUND	SCHOOL LOAN BOND REDEMPTION FUND	STATE PARK REVENUE BOND FUND	STATE BUILDING AUTHORITY	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1990	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1989
$ -	$ -	$ 7,375	$ -	$ 7,375	$ 5,397
-	5,812	346	15,613	21,798	24,439
-	5,812	7,722	15,613	29,174	29,837
-	-	-	284	284	257
-	4,400	985	62,305	102,975	134,668
2,392	533	418	66,179	106,622	93,631
-	-	-	-	-	10,532
2,392	4,933	1,403	128,768	209,881	239,289
(2,392)	878	6,318	(113,154)	(180,706)	(209,451)
-	-	-	-	-	10,532
-	-	-	-	9,200	-
-	-	-	-	(9,200)	-
2,392	3,733	-	138,876	217,353	196,152
-	-	(5,812)	(5,387)	(11,200)	(4,469)
2,392	3,733	(5,812)	133,488	206,152	202,215
-	4,612	506	20,333	25,445	(7,236)
-0-	79,878	3,047	213,785	296,746	303,983
-	-	-	-	7	-
$ -0-	$ 84,490	$ 3,553	$ 234,119	$ 322,200	$ 296,746

THIS PAGE INTENTIONALLY BLANK

STATE OF MICHIGAN
DESCRIPTIONS OF CAPITAL PROJECTS FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 1990

RECREATION BOND FUND - STATE PROJECTS

This fund was established by P.A. 329 of 1988, as amended, to account for the proceeds of $70.0 million of general obligation bonds approved by the people in November, 1988 as part of a $140.0 million bond package for financing state and local public recreation projects. This approval was obtained under the general authority of Section 15, Article IX, of the 1963 State Constitution. The act specifies that the proceeds of these bonds will be used to construct, expand, and develop recreational facilities at state parks. This fund is administered by the Department of Natural Resources.

STATE BUILDING AUTHORITY

The State Building Authority was created pursuant to P.A. 183 of 1964, as amended, to issue bonds to finance the acquisition of buildings for use by the State or public institutions of higher education. Public Act 248 of 1988 also permits Authority bonding of State equipment. The five members of the Authority are appointees of the Governor.

This capital projects fund, which accounts for the construction of State projects, reports bond proceeds as an "Other financing source," investment revenue during construction as "miscellaneous revenue," and construction expenditures as "Capital outlay." Operating transfers out reflect transfers to the debt service fund of proceeds dedicated for debt service during construction, reimbursements to the State Building Authority Advance Financing Fund for expenditures incurred prior to bonding, and the transfer of net assets remaining after the completion of a project to the debt service fund. In the State's General Fixed Assets Account Group, accumulated expenditures for incomplete State projects are reflected as "Construction in progress" and completed State projects are recorded as "Buildings."

STATE BUILDING AUTHORITY ADVANCE FINANCING FUND

This fund was administratively established to account for expenditures incurred for State projects prior to the issuance of State Building Authority bonds. Appropriation acts provide temporary financing of such expenditures for legislatively authorized projects. Expenditures on behalf of the State Building Authority are recorded when incurred. At year-end, any deficit in the common cash pool is reclassified as a payable to the General Fund. In addition to advance expenditures, expenditures financed by the General Fund or other sources related to State Building Authority projects are recorded in this fund.

The State Building Authority in its statements does not recognize liabilities for these projects until bonds are issued; therefore, no receivable from the Authority is recognized in this fund prior to bond issuance. This results in the fund showing a year-end fund balance deficit. When the Authority issues its bonds and reimburses the State, the Authority will reimburse this fund by recording an operating transfer. The fund will then reimburse the General Fund and the deficit attributable to the bonded projects will be eliminated.

STATE OF MICHIGAN
COMBINING BALANCE SHEET
CAPITAL PROJECTS FUNDS
SEPTEMBER 30, 1990
(In Thousands)

	RECREATION BOND FUND–STATE PROJECTS	STATE BUILDING AUTHORITY ADVANCE FINANCING FUND	STATE BUILDING AUTHORITY	TOTALS SEPTEMBER 30, 1990	TOTALS SEPTEMBER 30, 1989
ASSETS					
Current Assets:					
Cash and cash equivalents	$ –	$ –	$ –	$ –	$ 15
Equity in Common Cash	5,275	–	–	5,275	–
Amounts due from other funds	–	–	–	–	8,806
Amounts due from federal agencies	104	–	–	104	–
Investments	–	–	20,970	20,970	46,831
Other current assets	–	6	15	21	385
Total Current Assets	5,380	6	20,985	26,371	56,038
Total Assets	$ 5,380	$ 6	$ 20,985	$ 26,371	$ 56,038
LIABILITIES AND FUND BALANCES					
Current Liabilities:					
Warrants outstanding	$ 335	$ 885	$ –	$ 1,220	$ –
Accounts payable and other liabilities	1,564	13,505	11,485	26,555	31,454
Amounts due to other funds	–	236,352	10	236,362	107,652
Total Current Liabilities	1,899	250,742	11,495	264,137	139,107
Total Liabilities	1,899	250,742	11,495	264,137	139,107
Fund Balances:					
Reserves for:					
Budgetary carry-forwards:					
Construction and debt service	–	–	9,489	9,489	16,612
Total Reserved	–	–	9,489	9,489	16,612
Unreserved	3,480	(250,735)	–	(247,255)	(99,680)
Total Fund Balances	3,480	(250,735)	9,489	(237,766)	(83,068)
Total Liabilities and Fund Balances	$ 5,380	$ 6	$ 20,985	$ 26,371	$ 56,038

STATE OF MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
CAPITAL PROJECTS FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 1990
(In Thousands)

	RECREATION BOND FUND–STATE PROJECTS	STATE BUILDING AUTHORITY ADVANCE FINANCING FUND	STATE BUILDING AUTHORITY	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1990	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1989
REVENUES					
From federal agencies	$ 104	$ –	$ –	$ 104	$ –
Miscellaneous	569	–	2,628	3,197	4,500
Total Revenues	673	–	2,628	3,302	4,500
EXPENDITURES					
Current:					
Conservation, recreation, and agriculture	159	–	–	159	–
Capital outlay	5,389	156,306	18,767	180,464	188,795
Total Expenditures	5,549	156,306	18,767	180,623	188,795
Excess of Revenues over (under) Expenditures	(4,875)	(156,306)	(16,139)	(177,321)	(184,294)
OTHER FINANCING SOURCES (USES)					
Proceeds from bond issues	8,500	–	–	8,500	156,970
Operating transfers in	–	18,224	9,016	27,241	95,905
Operating transfers out	(25)	(13,091)	–	(13,117)	(128,981)
Total Other Financing Sources (Uses)	8,474	5,133	9,016	22,623	123,894
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	3,598	(151,173)	(7,122)	(154,697)	(60,400)
Fund Balances – Beginning of fiscal year	(117)	(99,562)	16,612	(83,068)	(22,564)
Equity transfers to other funds	–	–	–	–	(103)
Fund Balances – End of fiscal year	$ 3,480	$ (250,735)	$ 9,489	$ (237,766)	$ (83,068)

STATE OF MICHIGAN
COMBINING BALANCE SHEET
ENTERPRISE FUNDS
BY CLASSIFICATION
SEPTEMBER 30, 1990
(In Thousands)

	STATE FUNDS	COMPONENT UNITS	TOTALS SEPTEMBER 30, 1990	TOTALS SEPTEMBER 30, 1989 (RESTATED)*
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 8,908	$ 14,962	$ 23,871	$ 16,714
Equity in Common Cash	209,879	-	209,879	109,796
Amounts due from other funds	-	6,555	6,555	1,840
Amounts due from federal agencies	-	7,262	7,262	9,452
Inventories	31,747	172	31,920	36,704
Investments	121,819	855,984	977,804	1,042,024
Other current assets	110,104	88,459	198,564	103,341
Total Current Assets	482,460	973,398	1,455,858	1,319,874
Advances to other funds	5,266	83,745	89,011	4,256
Mortgages and loans receivable	-	3,143,261	3,143,261	2,928,015
Investments	915,124	824,956	1,740,080	1,003,146
Property, plant, and equipment	55,626	3,406	59,032	30,036
Other noncurrent assets	-	22,362	22,362	16,727
Total Assets	$ 1,458,477	$ 5,051,129	$ 6,509,607	$ 5,302,057
LIABILITIES AND FUND EQUITY				
Current Liabilities:				
Warrants outstanding	$ 4,623	$ -	$ 4,623	$ 2,989
Accounts payable and other liabilities	268,681	58,259	326,941	163,085
Amounts due to other funds	5,762	3,306	9,068	2,756
Bonds and notes payable	-	96,403	96,403	118,028
Interest payable	-	83,292	83,292	83,796
Deferred revenue	94,878	10,863	105,741	17,854
Total Current Liabilities	373,946	252,123	626,070	388,511
Long-Term Liabilities:				
Advances from other funds	5,266	-	5,266	4,256
Prize awards payable	558,409	-	558,409	465,146
Deferred revenue	318	-	318	333
Bonds and notes payable	-	3,904,234	3,904,234	3,595,065
Unamortized premium (discount)	-	(61,053)	(61,053)	(43,053)
Other long-term liabilities	451,061	553,115	1,004,177	471,706
Total Liabilities	1,389,002	4,648,419	6,037,422	4,881,968
Fund Equity:				
Contributed Capital:				
From other funds	5,693	1,500	7,193	5,759
From other governmental units	-	16	16	16
Total Contributed Capital	5,693	1,516	7,209	5,775
Net unrealized gain (loss) on investments	14	(4,093)	(4,078)	-
Retained Earnings:				
Reserved	11,448	169,082	180,530	201,712
Unreserved	52,318	236,204	288,522	212,600
Total Retained Earnings	63,766	405,286	469,053	414,312
Total Fund Equity	69,474	402,709	472,184	420,088
Total Liabilities and Fund Equity	$ 1,458,477	$ 5,051,129	$ 6,509,607	$ 5,302,057

*The prior year column was restated to reflect a change in accounting for tuition benefit obligations of the Michigan Education Trust.

STATE OF MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
ENTERPRISE FUNDS
BY CLASSIFICATION
FISCAL YEAR ENDED SEPTEMBER 30, 1990
(In Thousands)

			TOTALS	
			FISCAL YEARS ENDED	
	STATE FUNDS	COMPONENT UNITS	SEPTEMBER 30, 1990	SEPTEMBER 30, 1989 (RESTATED)*
OPERATING REVENUES:				
Operating revenues	$ 1,829,575	$ 26,247	$ 1,855,823	$ 1,622,915
Interest income	5,186	315,390	320,577	286,430
Investment revenue (net)	95,539	80,378	175,917	112,037
Miscellaneous	–	34,984	34,984	39,499
Total Operating Revenues	1,930,301	457,001	2,387,302	2,060,883
OPERATING EXPENSES:				
Salaries, wages, and other administrative	198,395	40,230	238,625	209,300
Interest expense	–	315,963	315,963	289,507
Depreciation	5,159	182	5,342	3,615
Purchases for resale	336,548	164	336,712	328,812
Lottery prize awards	588,313	–	588,313	558,098
Premiums and claims	269,658	–	269,658	–
Other operating expenses	43,068	63,189	106,258	94,474
Total Operating Expenses	1,441,144	419,730	1,860,875	1,483,808
Operating Income (Loss)	489,157	37,270	526,427	577,074
NONOPERATING REVENUES (EXPENSES):				
Specific tax on spirits	7,409	–	7,409	7,228
Federal grant revenue	–	34,383	34,383	28,667
Interest revenue	34	184	219	268
Other nonoperating revenues	560	106	667	1,496
Grant expense	–	(49,176)	(49,176)	(38,689)
Interest expense	(735)	(51)	(787)	(764)
Development stage expenses	(4,580)	–	(4,580)	(2,692)
Other nonoperating expenses	(33)	(10,155)	(10,189)	(7,961)
Total Nonoperating Revenues (Expenses)	2,654	(24,709)	(22,055)	(12,446)
Income (Loss) Before Operating Transfers	491,811	12,560	504,372	564,627
OPERATING TRANSFERS:				
Operating transfers in	2,382	30,330	32,713	24,995
Operating transfers out	(561,107)	–	(561,107)	(552,453)
Total Operating Transfers In (Out)	(558,725)	30,330	(528,394)	(527,458)
Net Income (Loss)	(66,913)	42,891	(24,021)	37,169
Retained Earnings – Beginning of fiscal year – as previously reported	51,918	374,015	425,933	378,086
Effect of accounting change	84,445	(11,620)	72,825	(943)
Retained Earnings – Beginning of fiscal year – restated	136,363	362,395	498,758	377,142
Equity transfers to other funds	(5,683)	–	(5,683)	–
Retained Earnings – End of fiscal year	$ 63,766	$ 405,286	$ 469,053	$ 414,312

*The prior year column was restated to reflect a change in accounting for tuition benefit obligations of the Michigan Education Trust.

STATE OF MICHIGAN
COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION
ENTERPRISE FUNDS
BY CLASSIFICATION
FISCAL YEAR ENDED SEPTEMBER 30, 1990
(In Thousands)

			TOTALS	
			FISCAL YEARS ENDED	
	STATE FUNDS	COMPONENT UNITS	SEPTEMBER 30, 1990	SEPTEMBER 30, 1989 (RESTATED)*
SOURCES OF FUNDS:				
From operations:				
Net income (loss)	$ (66,913)	$ 42,891	$ (24,021)	$ 37,169
Items not requiring (providing) working capital:				
Depreciation	5,159	182	5,342	3,615
Compensated absences - long-term portion	671	161	833	775
Change in long-term prize awards	114,555	-	114,555	82,028
Provision for losses on loans	-	1,751	1,751	1,893
Change in net unrealized gain (loss) on investments	(3,905)	(4,093)	(7,998)	-
Amortization of deferred items (net)	(1,712)	18,200	16,487	21,500
Accrued arbitrage rebate	-	1,000	1,000	-
Loss (gain) on disposal of fixed assets	107	-	107	232
Working Capital Provided (Used) from Operations	47,961	60,094	108,056	147,214
From other sources:				
Proceeds from bonds and notes sold	-	532,844	532,844	595,078
Principal repayments on loans	-	246,661	246,661	415,707
Increase in long-term deferred revenues	22	-	22	-
Sale of fixed assets	72	-	72	-
Decrease in noncurrent investments (net)	54,231	100,967	155,198	233,838
Increase in long-term lease obligations	2,913	-	2,913	85
Increase in advances from other funds and other long-term liabilities	119,248	89,563	208,812	295,641
Contributed capital additions	1,434	-	1,434	1,888
Total Sources (Uses) of Funds	$ 225,884	$ 1,030,131	$ 1,256,016	$ 1,689,453
APPLICATION OF FUNDS:				
Increases in advances to other funds	$ 1,009	$ 83,745	$ 84,754	$ 4,256
Increase in noncurrent investments (net)	166,226	386,638	552,864	138,768
Loans issued/purchased	-	470,202	470,202	458,433
Decrease in long-term bonds and notes payable	-	252,796	252,796	456,392
Decrease in long-term prize awards payable	60,017	-	60,017	38,413
Increase in other noncurrent assets	-	6,266	6,266	9,546
Additions to fixed assets	9,401	353	9,755	3,672
Decrease in long-term deferred revenues	38	-	38	184
Equity transfers to other funds	5,683	-	5,683	-
Net increase (decrease) in working capital	(16,492)	(169,871)	(186,364)	579,785
Total Application of Funds	$ 225,884	$ 1,030,131	$ 1,256,016	$ 1,689,453
ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL:				
Cash and cash equivalents	$ 1,548	$ 4,425	$ 5,973	$ 6,304
Equity in/Liability to Common Cash	14,132	-	14,132	28,854
Amounts due from other funds	(1,420)	6,136	4,715	352
Amounts due from federal agencies	-	(2,189)	(2,189)	1,160
Inventories	(4,819)	35	(4,784)	(16,773)
Investments	(15,031)	(189,664)	(204,695)	573,151
Other current assets	4,747	13,714	18,461	8,565
Warrants outstanding	(1,633)	-	(1,633)	(1,567)
Accounts payable and other liabilities	8,586	(26,856)	(18,270)	(20,969)
Amounts due to other funds	(5,551)	(761)	(6,312)	273
Bonds and notes payable - current	-	21,625	21,625	(6,812)
Interest payable	-	504	504	334
Deferred revenue	(17,049)	3,158	(13,891)	6,911
Net Increase (Decrease) in Working Capital	$ (16,492)	$ (169,871)	$ (186,364)	$ 579,785

*The prior year column was restated to reflect a change in accounting for tuition benefit obligations of the Michigan Education Trust.

THIS PAGE INTENTIONALLY BLANK

STATE OF MICHIGAN
DESCRIPTIONS OF ENTERPRISE FUNDS
STATE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 1990

LIQUOR PURCHASE REVOLVING FUND

The Liquor Purchase Revolving Fund was authorized by P.A. 259 of 1941. The Department of Commerce, Liquor Control Commission is primarily responsible for the fund. Under State monopoly, liquor is sold at retail or wholesale at State liquor stores and through specially designated distributors. The fund accounts for the sales of and the replenishing and transportation of the liquor stock of the various State liquor stores. Administrative, warehousing, and merchandising costs are appropriated in the fund. At the end of each fiscal year, the "net income" of the fund is transferred to the General Fund in accordance with P.A. 431 of 1984. Operating transfers out also includes $7 million in transfers to the Michigan State Housing Development Authority in accordance with P.A. 198 of 1989.

The advance to other funds on the balance sheet is receivable from other enterprise funds. It was recorded in an amount equal to the other funds' end of year negative balances in the State's common cash pool.

STATE LOTTERY FUND

Public Act 239 of 1972 established the State Lottery Fund and created a Bureau of State Lottery under authority of Section 4 of Article V of the State Constitution. This authority expired on August 1, 1974, at which time the Bureau became an organizational entity in the Department of Management and Budget. Subsequent to September 30, 1990, action was taken to transfer the Bureau to the Department of Treasury during fiscal year 1990-91. Public Act 239 of 1972 requires that, as nearly as practicable, 45% of gross ticket sales be allocated for prize awards. Net income of the fund related to lottery operations is transferred to the School Aid Fund and net income related to bingo and charity games regulation is transferred to the General Fund.

Revenues and related expenses are recognized in the period during which the related drawings are held. Deferred prize awards are recorded as expenses and liabilities at their discounted present value. The State Treasurer invests funds equivalent to the discounted value of the installment payments and the Lottery Fund is credited with the interest earnings.

LOW-LEVEL RADIOACTIVE WASTE AUTHORITY

The Low-Level Radioactive Waste Authority was established by P.A. 204 of 1987 to provide a regional low-level radioactive waste disposal facility, located in Michigan, to serve the needs of seven midwestern states. Currently in developmental stage, the program is being financed by a loan from the seven-state compact, as well as grants from the State. The loan is to be repaid from operating revenues at such time as the facility becomes operational.

The Authority is a legally autonomous agency within the Department of Management and Budget. It is statutorially authorized to issue revenue bonds payable solely from the operation of a facility; however, at this point there are no definite plans to do so. The Authority has issued its own separately audited financial statements following the accounting principles which apply to development stage enterprises. The retained earnings deficit reflects losses sustained in the development stage, with recovery of these to occur from future operating revenues.

MICHIGAN STATE FAIR REVOLVING FUND

This fund was created by P.A. 224 of 1962, as amended. It is under the jurisdiction of the Department of Natural Resources, which is responsible for the management of the Michigan State Fair and fairgrounds in Detroit. Fund revenues are derived from the operation of the annual State Fair and other exhibits or events, leases, rentals or other charges for use of the buildings and grounds scheduled during the year. Administrative costs are appropriated in the fund. The net income of the fund is transferred to the General Fund as required by P.A. 431 of 1984. The advance from other funds on the balance sheet is payable to the Liquor Purchase Revolving Fund. It was recorded in an amount equal to this fund's end of year negative balance in the State's common cash pool.

DEPARTMENT OF NATURAL RESOURCES MAGAZINE FUND

Public Act 107 of 1979 provided for creation of a fund to account for the revenues and costs incurred in the publication of the department's magazine, publications, and related materials. Direct administrative costs are appropriated and recorded in the fund. Operating transfers out are made to the General Fund to reimburse overhead costs which the General Fund incurs on behalf of this fund. The advance from other funds on the balance sheet is payable to the Liquor Purchase Revolving Fund. It was recorded in an amount equal to this fund's end of year negative balance in the State's common cash pool.

ACCIDENT FUND OF MICHIGAN

The Accident Fund of Michigan (AFOM) provides worker's compensation insurance for Michigan employers. Public Act 157 of 1990 established the AFOM as an autonomous entity within the Department of Commerce. The State is not liable for payment of claims beyond the extent of premiums received. Administrative costs are appropriated in the fund. Revenues consist mainly of premiums and investment income while expenses reflect claims and operational payments.

As explained in the notes to the general purpose financial statements, in the prior fiscal year the State reported assets held on behalf of the AFOM in an expendable trust fund while other operations were excluded.

STATE OF MICHIGAN
COMBINING BALANCE SHEET
ENTERPRISE FUNDS
STATE FUNDS
SEPTEMBER 30, 1990
(In Thousands)

	LIQUOR PURCHASE REVOLVING FUND	STATE LOTTERY FUND	LOW-LEVEL RADIOACTIVE WASTE AUTHORITY
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 1,955	$ 4,640	$ -
Equity in Common Cash	36,910	64,346	1,083
Amounts due from other funds	-	-	-
Inventories	31,215	193	-
Investments	-	57,119	-
Other current assets	363	28,565	-
Total Current Assets	70,446	154,864	1,083
Advances to other funds	5,266	-	-
Investments	-	504,133	-
Property, plant, and equipment:			
Land	98	-	-
Buildings and equipment	13,421	8,618	240
Allowance for depreciation	(7,439)	(2,121)	(55)
Construction in progress	-	-	-
Total property, plant, and equipment	6,080	6,496	185
Total Assets	$ 81,792	$ 665,494	$ 1,269
LIABILITIES AND FUND EQUITY			
Current Liabilities:			
Warrants outstanding	$ 2,142	$ 2,244	$ 5
Accounts payable and other liabilities	33,415	91,766	469
Amounts due to other funds	3	-	-
Deferred revenue	12	3,012	-
Total Current Liabilities	35,574	97,023	475
Long-Term Liabilities:			
Advances from other funds	-	-	-
Prize awards payable	-	558,409	-
Deferred revenue	-	-	-
Other long-term liabilities	5,042	4,246	7,382
Total Liabilities	40,616	659,678	7,857
Fund Equity:			
Contributed capital - from other funds	-	-	-
Net unrealized gain on investments	-	-	-
Retained earnings:			
Reserved	-	-	-
Unreserved	41,175	5,815	(6,588)
Total Retained Earnings	41,175	5,815	(6,588)
Total Fund Equity	41,175	5,815	(6,588)
Total Liabilities and Fund Equity	$ 81,792	$ 665,494	$ 1,269

MICHIGAN STATE FAIR REVOLVING FUND	DEPARTMENT OF NATURAL RESOURCES MAGAZINE FUND	ACCIDENT FUND OF MICHIGAN	TOTALS SEPTEMBER 30, 1990	TOTALS SEPTEMBER 30, 1989
$ 14	$ 14	$ 2,283	$ 8,908	$ 6,176
–	–	107,538	209,879	109,796
–	–	–	–	1,420
–	338	–	31,747	36,567
–	–	64,700	121,819	46,830
217	156	80,800	110,104	28,595
232	510	255,323	482,460	229,387
–	–	–	5,266	4,256
–	–	410,991	915,124	413,405
10,432	–	871	11,401	9,577
19,221	88	30,587	72,177	36,091
(9,892)	(88)	(8,437)	(28,034)	(18,944)
81	–	–	81	76
19,843	–	23,020	55,626	26,800
$ 20,075	$ 510	$ 689,335	$ 1,458,477	$ 673,851
$ 93	$ 2	$ 134	$ 4,623	$ 2,989
1,156	41	141,831	268,681	131,445
4	–	5,753	5,762	210
96	552	91,203	94,878	3,833
1,352	597	238,923	373,946	138,479
4,741	524	–	5,266	4,256
–	–	–	558,409	465,146
38	279	–	318	333
219	95	434,076	451,061	9,456
6,352	1,497	672,999	1,389,002	617,673
5,693	–	–	5,693	4,259
–	–	14	14	–
–	–	11,448	11,448	–
8,029	(986)	4,872	52,318	51,918
8,029	(986)	16,320	63,766	51,918
13,723	(986)	16,335	69,474	56,177
$ 20,075	$ 510	$ 689,335	$ 1,458,477	$ 673,851

STATE OF MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
ENTERPRISE FUNDS
STATE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 1990
(In Thousands)

	LIQUOR PURCHASE REVOLVING FUND	STATE LOTTERY FUND	LOW-LEVEL RADIOACTIVE WASTE AUTHORITY
OPERATING REVENUES:			
Operating revenues	$ 429,450	$ 1,219,514	$ -
Interest income	-	5,186	-
Investment revenue (net)	-	44,974	-
Total Operating Revenues	429,450	1,269,675	-
OPERATING EXPENSES:			
Salaries, wages, and other administrative	29,347	146,826	-
Depreciation	845	1,106	28
Purchases for resale	335,895	-	-
Lottery prize awards	-	588,313	-
Premiums and claims	-	-	-
Other operating expenses:			
Amortization of prize award obligation discount	-	43,068	-
Total other operating expenses	-	43,068	-
Total Operating Expenses	366,088	779,315	28
Operating Income (Loss)	63,361	490,360	(28)
NONOPERATING REVENUES (EXPENSES):			
Specific tax on spirits	7,409	-	-
Interest revenue	-	-	34
Other nonoperating revenues	-	-	1
Interest expense	(254)	-	-
Development stage expenses	-	-	(4,580)
Other nonoperating expenses	(15)	-	-
Total Nonoperating Revenues (Expenses)	7,139	-	(4,544)
Income (Loss) Before Operating Transfers	70,501	490,360	(4,572)
OPERATING TRANSFERS:			
Operating transfers in	18	5	1,685
Operating transfers out:			
To School Aid Fund	-	(489,130)	-
To other funds	(70,520)	(1,234)	(74)
Total operating transfers out	(70,520)	(490,365)	(74)
Total Operating Transfers In (Out)	(70,501)	(490,360)	1,610
Net Income (Loss)	-0-	-0-	(2,961)
Retained Earnings - Beginning of fiscal year - as previously reported	41,175	5,815	(3,627)
Effect of accounting change	-	-	-
Retained Earnings - Beginning of fiscal year - restated	41,175	5,815	(3,627)
Equity transfers to other funds	-	-	-
Retained Earnings - End of fiscal year	$ 41,175	$ 5,815	$ (6,588)

MICHIGAN STATE FAIR REVOLVING FUND	DEPARTMENT OF NATURAL RESOURCES MAGAZINE FUND	ACCIDENT FUND OF MICHIGAN	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1990	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1989
$ 3,620	$ 1,757	$ 175,231	$ 1,829,575	$ 1,601,709
-	-	-	5,186	5,027
-	-	50,565	95,539	37,599
3,620	1,757	225,796	1,930,301	1,644,336
4,754	1,021	16,446	198,395	174,616
555	-	2,623	5,159	3,443
-	652	-	336,548	328,671
-	-	-	588,313	558,098
-	-	269,658	269,658	-
-	-	-	43,068	35,861
-	-	-	43,068	35,861
5,309	1,673	288,727	1,441,144	1,100,690
(1,689)	83	(62,931)	489,157	543,645
-	-	-	7,409	7,228
-	-	-	34	131
-	-	558	560	98
(448)	(32)	-	(735)	(728)
-	-	-	(4,580)	(2,692)
(18)	-	-	(33)	(426)
(466)	(32)	558	2,654	3,612
(2,155)	50	(62,372)	491,811	547,258
671	-	-	2,382	1,330
-	-	-	(489,130)	(483,961)
(48)	(29)	(68)	(71,976)	(68,491)
(48)	(29)	(68)	(561,107)	(552,453)
623	(29)	(68)	(558,725)	(551,123)
(1,532)	21	(62,440)	(66,913)	(3,865)
9,562	(1,008)	-	51,918	55,783
-	-	84,445	84,445	-
9,562	(1,008)	84,445	136,363	55,783
-	-	(5,683)	(5,683)	-
$ 8,029	$ (986)	$ 16,320	$ 63,766	$ 51,918

STATE OF MICHIGAN
COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION
ENTERPRISE FUNDS
STATE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 1990
(In Thousands)

	LIQUOR PURCHASE REVOLVING FUND	STATE LOTTERY FUND	LOW-LEVEL RADIOACTIVE WASTE AUTHORITY
SOURCES OF FUNDS:			
From operations:			
Net income (loss)	$ -0-	$ -0-	$ (2,961)
Items not requiring (providing) working capital:			
Depreciation	845	1,106	28
Compensated absences - long-term portion	405	201	34
Change in long-term prize awards	-	114,555	-
Changes in net unrealized gain on investments	-	-	-
Amortization of deferred items (net)	-	(1,712)	-
Loss (gain) on disposal of fixed assets	15	69	-
Working Capital Provided (Used) from Operations	1,267	114,220	(2,899)
From other sources:			
Increase in long-term deferred revenues	-	-	-
Sale of fixed assets	-	42	-
Decrease in noncurrent investments (net)	-	54,231	-
Increase in long-term lease obligations	115	2,797	-
Increase in advances from other funds and other long-term liabilities	-	-	3,944
Contributed capital additions	-	-	-
Total Sources (Uses) of Funds	$ 1,382	$ 171,291	$ 1,045
APPLICATION OF FUNDS:			
Increases in advances to other funds	$ 1,009	$ -	$ -
Increase in noncurrent investments (net)	-	104,520	-
Decrease in long-term prize awards payable	-	60,017	-
Additions to fixed assets	623	6,250	103
Decrease in long-term deferred revenues	-	-	-
Equity transfer to other funds	-	-	-
Net increase (decrease) in working capital	(250)	502	941
Total Application of Funds	$ 1,382	$ 171,291	$ 1,045
ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL:			
Cash and cash equivalents	$ 16	$ 640	$ -
Equity in Common Cash	(13,522)	4,983	1,083
Amounts due from other funds	-	(1,404)	(15)
Inventories	(4,788)	18	-
Investments	-	10,288	-
Other current assets	(374)	1,001	-
Warrants outstanding	(1,040)	(631)	3
Accounts payable and other liabilities	19,413	(14,504)	(131)
Amounts due to other funds	54	20	1
Deferred revenue	(8)	91	-
Net Increase (Decrease) in Working Capital	$ (250)	$ 502	$ 941

MICHIGAN STATE FAIR REVOLVING FUND	DEPARTMENT OF NATURAL RESOURCES MAGAZINE FUND	ACCIDENT FUND OF MICHIGAN	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1990	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1989
$ (1,532)	$ 21	$ (62,440)	$ (66,913)	$ (3,865)
555	–	2,623	5,159	3,443
27	2	–	671	366
–	–	–	114,555	82,028
–	–	(3,905)	(3,905)	–
–	–	–	(1,712)	(1,559)
18	–	4	107	232
(931)	24	(63,719)	47,961	80,645
–	22	–	22	–
–	–	30	72	–
–	–	–	54,231	44,703
–	–	–	2,913	85
950	59	114,295	119,248	4,503
1,434	–	–	1,434	1,888
$ 1,453	$ 106	$ 50,605	$ 225,884	$ 131,827
$ –	$ –	$ –	$ 1,009	$ 4,256
–	–	61,705	166,226	88,861
–	–	–	60,017	38,413
1,508	–	914	9,401	3,285
38	–	–	38	184
–	–	5,683	5,683	–
(93)	106	(17,698)	(16,492)	(3,173)
$ 1,453	$ 106	$ 50,605	$ 225,884	$ 131,827
$ (210)	$ 2	$ 1,099	$ 1,548	$ (144)
–	–	21,589	14,132	28,854
–	–	–	(1,420)	74
–	(49)	–	(4,819)	(16,761)
–	–	(25,320)	(15,031)	5,146
90	(8)	4,039	4,747	9,814
168	–	(134)	(1,633)	(1,567)
(250)	69	3,990	8,586	(29,837)
115	9	(5,753)	(5,551)	(85)
(7)	82	(17,208)	(17,049)	1,334
$ (93)	$ 106	$ (17,698)	$ (16,492)	$ (3,173)

STATE OF MICHIGAN
DESCRIPTIONS OF ENTERPRISE FUNDS
COMPONENT UNITS
FISCAL YEAR ENDED SEPTEMBER 30, 1990

MICHIGAN STATE HOSPITAL FINANCE AUTHORITY

The Authority was organized under P.A. 38 of 1969, as amended, to lend money to nonprofit, nonpublic hospitals for capital improvements or debt refinancing. The Act also empowers the Authority to sell bonds and to enter into loan and other agreements to obtain the necessary funds for such loans. The Authority is comprised of seven members including a chairperson and four public members appointed by the Governor with the advice and consent of the Senate, and two members ex officio (the State Treasurer and the Director of the Department of Public Health). The Authority has a June 30 fiscal year-end. Some of the Authority's revenue and mortgage bonds have been defeased by the various hospitals by placing proceeds of new bonds with the State Treasurer's fiscal agent division. Such defeased bonds and related investments are reported in the State Treasurer's Escrow and Paying Agent Fund.

MICHIGAN EDUCATION TRUST

The Michigan Education Trust (MET) operates a tuition guarantee program. A purchaser enters into a contract with MET which provides that in return for a specified actuarially determined payment, MET will guarantee a Michigan child's undergraduate tuition at any Michigan public college or university. The amount which the purchaser is required to pay is based on several factors. Among these are today's tuition costs, the child's age and grade in school, anticipated investment earnings, and tuition rate increases.

The creation of MET as an entity within the Michigan Department of Treasury was authorized by P.A. 316 of 1986. The MET is governed by a nine-member board that consists of the State Treasurer and eight other individuals appointed by the Governor with the advice and consent of the Senate. Although MET is administratively located within the Michigan Department of Treasury, the act provides its assets are not to be considered assets of the State and are not to be loaned or otherwise transferred or used by the State for any purpose other than the purposes specified in the act. The act and contracts also specifically provide that the State is not liable if the MET becomes actuarially unsound. In that event, the contracts provide for refunds to participants.

As explained in the notes to the general purpose financial statements, the methods for accounting for future tuition benefit obligations was changed from the prior year and the prior year column has been restated.

MICHIGAN HIGHER EDUCATION STUDENT LOAN AUTHORITY

Public Act 222 of 1975, as amended, authorized the establishment of the Michigan Higher Education Student Loan Authority within the Department of Education, for the purpose of making loans to qualified students (or their parents) attending participating institutions of higher education. Under a guarantee agreement entered into with the Michigan Higher Education Assistance Authority, loans are guaranteed as to 100% of principal and interest. The Authority may issue revenue-dedicated debt in the principal amounts necessary to provide funds for achieving its purpose. The Authority is governed by the sixteen members of the Michigan Higher Education Assistance Authority who are appointed by the Governor with the consent of the Senate. The Superintendent of Public Instruction, an ex officio member, serves as chairman.

MICHIGAN HIGHER EDUCATION ASSISTANCE AUTHORITY

The Michigan Higher Education Assistance Authority was created by the Legislature through P.A. 77 of 1960, as amended. It is governed by a sixteen member board, each member being appointed by the Governor with the advice and consent of the Senate. The Authority is empowered to guarantee 100% of principal and interest on loans to persons (or their parents) attending eligible post-secondary educational institutions in Michigan. The federal government reimburses the Authority for losses on purchased loans at varying percentages depending upon rates of defaults. Revenues consist of recovery of loan losses, federal reimbursement, loan guarantee fees, and investment income.

MACKINAC ISLAND STATE PARK COMMISSION

The Mackinac Island State Park Commission was established by P.A. 355 of 1927. It consists of seven members who are appointed by the Governor with the advice and consent of the Senate. The Commission is responsible for the management of the Mackinac Island and Michilimackinac State Parks and has the authority to issue revenue-dedicated bonds. Operating transfers to the Commission are principally from the General Fund for park operations.

MICHIGAN STRATEGIC FUND

The Michigan Strategic Fund (MSF) was created by P.A. 270 of 1984 to help diversify the economy of the State and provide for economic development, primarily by assisting business enterprises to obtain additional sources of financing. The Capital Access and BIDCO investment programs help companies that have financing needs which cannot be satisfied by conventional bank lending. The Seed Capital program provides the early capital needed for business development before a company is ready for traditional venture capital, while the minority BIDCO program emphasizes investment in minority businesses.

The MSF is governed by a board of nine members, consisting of the Directors of the State Departments of Commerce and Treasury plus seven members appointed by the Governor with the advice and consent of the Senate. Administratively, the MSF is within the Department of Commerce. The MSF succeeded to the rights, properties, obligations and duties of the Michigan Job Development Authority and Michigan Economic Development Authority. Effective October 1, 1985, the fund balances/retained earnings of these authorities were transferred to the MSF.

The MSF is authorized to issue various types of limited obligation debt. The MSF also receives oil and gas related revenues through the Michigan Natural Resources Trust Fund (a special revenue fund).

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

The Michigan State Housing Development Authority (MSHDA) was created by P.A. 346 of 1966, as amended, to issue notes and bonds to finance housing for sale or rental to families with low and moderate incomes and to finance home improvements. The MSHDA is also the administrator of various Section 8 housing programs in Michigan for the U.S. Department of Housing and Urban Development. The Authority also administers the Neighborhood Builders' Alliance program which uses federal and state funds for various programs to strengthen neighborhoods by providing jobs and improving the quality of life in the communities. Members of the Authority are appointed by the Governor. The Authority has a June 30 fiscal year-end.

STATE OF MICHIGAN
COMBINING BALANCE SHEET
ENTERPRISE FUNDS
COMPONENT UNITS
SEPTEMBER 30, 1990
(In Thousands)

	MICHIGAN STATE HOSPITAL FINANCE AUTHORITY	MICHIGAN EDUCATION TRUST	MICHIGAN HIGHER EDUCATION STUDENT LOAN AUTHORITY	MICHIGAN HIGHER EDUCATION ASSISTANCE AUTHORITY
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 6,417	$ 7,072	$ 885	$ -
Amounts due from other funds	1,428	160	-	2,106
Amounts due from federal agencies	-	-	911	6,351
Inventories	-	-	-	-
Investments	284,626	15,013	67,880	39,788
Other current assets:				
Mortgages and loans receivable	36,438	-	-	-
Interest receivable	3,144	6,690	2,255	288
Miscellaneous	-	50	32	1,781
Total other current assets	39,582	6,741	2,287	2,070
Total Current Assets	332,054	28,988	71,964	50,316
Advances to other funds	83,745	-	-	-
Mortgages and loans receivable	1,284,614	-	150,895	815
Investments	63,170	339,439	43,653	-
Property, plant, and equipment:				
Land	-	-	-	-
Buildings and equipment	-	-	-	-
Allowance for depreciation	-	-	-	-
Construction in progress	-	-	-	-
Total property, plant, and equipment	-	-	-	-
Other noncurrent assets	-	50	4,664	-
Total Assets	$ 1,763,585	$ 368,478	$ 271,178	$ 51,132
LIABILITIES AND FUND EQUITY				
Current Liabilities:				
Accounts payable and other liabilities	$ 29,472	$ 16,482	$ 52	$ 3,956
Amounts due to other funds	55	400	110	-
Bonds and notes payable	37,713	-	2,810	-
Interest payable	35,276	-	4,625	-
Deferred revenue	-	-	-	9,783
Total Current Liabilities	102,517	16,882	7,598	13,739
Long-Term Liabilities:				
Bonds and notes payable	1,698,907	-	203,835	-
Unamortized premium (discount)	(46,057)	-	-	-
Other long-term liabilities:				
Tuition benefits	-	341,630	-	-
Escrow funds	-	-	-	-
Miscellaneous	-	126	1,121	493
Total other long-term liabilities	-	341,756	1,121	493
Total Liabilities	1,755,367	358,638	212,555	14,233
Fund Equity:				
Contributed Capital:				
From other funds	-	-	-	1,500
From other governmental units	-	-	-	16
Total Contributed Capital	-	-	-	1,516
Net unrealized gain (loss) on investments	-	(4,093)	-	-
Retained Earnings:				
Reserved	-	-	2,680	-
Unreserved	8,217	13,933	55,942	35,382
Total Retained Earnings	8,217	13,933	58,622	35,382
Total Fund Equity	8,217	9,840	58,622	36,899
Total Liabilities and Fund Equity	$ 1,763,585	$ 368,478	$ 271,178	$ 51,132

MACKINAC ISLAND STATE PARK COMMISSION	MICHIGAN STRATEGIC FUND	MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY	TOTALS SEPTEMBER 30, 1990	TOTALS SEPTEMBER 30, 1989 (RESTATED)*
$ 363	$ 224	$ -	$ 14,962	$ 10,538
59	-	2,800	6,555	419
-	-	-	7,262	9,452
172	-	-	172	137
1,507	62,175	384,991	855,984	995,193
-	2,253	-	38,691	30,859
1	1,559	28,389	42,329	37,381
47	-	5,527	7,438	6,504
48	3,813	33,916	88,459	74,746
2,152	66,213	421,707	973,398	1,090,486
-	-	-	83,745	-
-	14,174	1,692,762	3,143,261	2,928,015
1,023	38,307	339,363	824,956	589,740
285	-	-	285	225
5,054	-	-	5,054	4,581
(1,954)	-	-	(1,954)	(1,771)
20	-	-	20	200
3,406	-	-	3,406	3,235
164	12,922	4,559	22,362	16,727
$ 6,746	$ 131,617	$ 2,458,391	$ 5,051,129	$ 4,628,206
$ 30	$ -	$ 8,266	$ 58,259	$ 31,640
-	1,937	803	3,306	2,545
-	1,950	53,930	96,403	118,028
38	148	43,202	83,292	83,796
-	-	1,080	10,863	14,021
68	4,036	107,281	252,123	250,032
1,477	12,855	1,987,160	3,904,234	3,595,065
-	-	(14,996)	(61,053)	(43,053)
-	-	-	341,630	276,386
-	-	204,724	204,724	181,474
-	3,446	1,574	6,761	4,390
-	3,446	206,298	553,115	462,250
1,545	20,337	2,285,743	4,648,419	4,264,295
-	-	-	1,500	1,500
-	-	-	16	16
-	-	-	1,516	1,516
-	-	-	(4,093)	-
1,187	41,575	123,639	169,082	201,712
4,013	69,705	49,009	236,204	160,682
5,200	111,280	172,648	405,286	362,394
5,200	111,280	172,648	402,709	363,910
$ 6,746	$ 131,617	$ 2,458,391	$ 5,051,129	$ 4,628,206

*The prior year column was restated to reflect a change in accounting for tuition benefit obligations of the Michigan Education Trust.

STATE OF MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
ENTERPRISE FUNDS
COMPONENT UNITS
FISCAL YEAR ENDED SEPTEMBER 30, 1990
(In Thousands)

	MICHIGAN STATE HOSPITAL FINANCE AUTHORITY	MICHIGAN EDUCATION TRUST	MICHIGAN HIGHER EDUCATION STUDENT LOAN AUTHORITY	MICHIGAN HIGHER EDUCATION ASSISTANCE AUTHORITY
OPERATING REVENUES:				
Operating revenues	$ –	$ –	$ –	$ 24,256
Interest income	125,802	27,290	10,443	–
Investment revenue (net)	11,093	2,500	7,353	3,023
Miscellaneous:				
Federal revenues	–	–	2,497	24,981
Financing fees	–	–	–	–
Other	683	78	30	9
Total miscellaneous	683	78	2,528	24,990
Total Operating Revenues	137,579	29,869	20,325	52,271
OPERATING EXPENSES:				
Salaries, wages, and other administrative	2,166	2,098	2,677	5,134
Interest expense	134,244	–	11,202	–
Depreciation	–	–	–	–
Purchases for resale	–	–	–	–
Other operating expenses:				
Loan loss expense	–	–	–	25,781
Tuition benefit expense	–	6,407	–	–
Amortization of deferred issue costs	–	–	174	–
Miscellaneous	318	–	1,606	15,488
Total other operating expenses	318	6,407	1,781	41,270
Total Operating Expenses	136,728	8,505	15,661	46,404
Operating Income (Loss)	850	21,363	4,664	5,866
NONOPERATING REVENUES (EXPENSES):				
Federal grant revenue	–	–	–	–
Interest revenue	–	–	–	–
Other nonoperating revenues	–	–	–	–
Grant expense	–	–	–	–
Interest expense	–	–	–	–
Other nonoperating expenses:				
Income tax expense	–	(9,133)	–	–
Other nonoperating expense	–	–	–	–
Total other nonoperating expenses	–	(9,133)	–	–
Total Nonoperating Revenues (Expenses)	–	(9,133)	–	–
Income (Loss) Before Operating Transfers	850	12,230	4,664	5,866
OPERATING TRANSFERS:				
Operating transfers in	–	–	–	–
Total Operating Transfers In (Out)	–	–	–	–
Net Income (Loss)	850	12,230	4,664	5,866
Retained Earnings – Beginning of fiscal year – as previously reported	7,367	13,323	53,958	29,516
Effect of accounting change	–	(11,620)	–	–
Retained Earnings – Beginning of fiscal year – restated	7,367	1,703	53,958	29,516
Retained Earnings – End of fiscal year	$ 8,217	$ 13,933	$ 58,622	$ 35,382

MACKINAC ISLAND STATE PARK COMMISSION	MICHIGAN STRATEGIC FUND	MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1990	SEPTEMBER 30, 1989 (RESTATED)*
$ 1,990	$ -	$ -	$ 26,247	$ 21,205
-	1,146	150,708	315,390	281,402
-	9,340	47,066	80,378	74,438
-	-	4,876	32,355	34,262
-	527	111	638	1,267
-	83	1,106	1,991	3,969
-	610	6,093	34,984	39,499
1,990	11,098	203,867	457,001	416,546
3,469	7,537	17,147	40,230	34,683
-	1,903	168,613	315,963	289,507
182	-	-	182	171
164	-	-	164	141
-	-	1,751	27,532	28,972
-	-	-	6,407	11,620
-	-	406	580	547
80	-	11,174	28,668	17,473
80	-	13,331	63,189	58,612
3,897	9,441	199,091	419,730	383,117
(1,906)	1,656	4,776	37,270	33,428
-	-	34,383	34,383	28,667
184	-	-	184	136
106	-	-	106	1,398
-	(14,793)	(34,383)	(49,176)	(38,689)
(51)	-	-	(51)	(35)
-	-	-	(9,133)	(7,121)
-	-	(1,022)	(1,022)	(414)
-	-	(1,022)	(10,155)	(7,535)
239	(14,793)	(1,022)	(24,709)	(16,058)
(1,666)	(13,137)	3,754	12,560	17,369
1,761	20,000	8,569	30,330	23,665
1,761	20,000	8,569	30,330	23,665
94	6,862	12,323	42,891	41,035
5,106	104,417	160,325	374,015	322,302
-	-	-	(11,620)	(943)
5,106	104,417	160,325	362,395	321,359
$ 5,200	$ 111,280	$ 172,648	$ 405,286	$ 362,394

*The prior year column was restated to reflect a change in accounting for tuition benefit obligations of the Michigan Education Trust.

STATE OF MICHIGAN
COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION
ENTERPRISE FUNDS
COMPONENT UNITS
FISCAL YEAR ENDED SEPTEMBER 30, 1990
(In Thousands)

	MICHIGAN STATE HOSPITAL FINANCE AUTHORITY	MICHIGAN EDUCATION TRUST	MICHIGAN HIGHER EDUCATION STUDENT LOAN AUTHORITY	MICHIGAN HIGHER EDUCATION ASSISTANCE AUTHORITY
SOURCES OF FUNDS:				
From operations:				
Net income (loss)	$ 850	$ 12,230	$ 4,564	$ 5,866
Items not requiring (providing) working capital:				
Depreciation	–	–	–	–
Compensated absences – long-term portion	–	–	–	(5)
Provision for losses on loans	–	–	–	–
Change in net unrealized gain (loss) on investments	–	(4,093)	–	–
Amortization of deferred items (net)	–	50	174	–
Accrued arbitrage rebate	–	–	1,000	–
Working Capital Provided (Used) from Operations	850	8,187	5,839	5,861
From other sources:				
Proceeds from bonds and notes sold	295,434	–	60,000	–
Principal repayments on loans	124,971	–	22,135	10,928
Decrease in noncurrent investments (net)	100,608	–	–	–
Increase in other long-term liabilities	–	65,306	37	–
Total Sources (Uses) of Funds	$ 521,864	$ 73,494	$ 88,011	$ 16,789
APPLICATION OF FUNDS:				
Increases in advances to other funds	$ 83,745	$ –	$ –	$ –
Increase in noncurrent investments (net)	–	339,439	121	–
Loans issued/purchased	252,931	–	50,157	10,924
Decrease in long-term bonds and notes payable	111,812	–	2,810	–
Increase in other noncurrent assets	–	–	1,818	–
Additions to fixed assets	–	–	–	–
Net increase (decrease) in working capital	73,374	(265,944)	33,103	5,865
Total Application of Funds	$ 521,864	$ 73,494	$ 88,011	$ 16,789
ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL:				
Cash and cash equivalents	$ 3,017	$ 6,811	$ (5,091)	$ –
Amounts due from other funds	1,428	146	–	2,106
Amounts due from federal agencies	–	–	248	(2,437)
Inventories	–	–	–	–
Investments	94,984	(271,842)	38,952	1,655
Other current assets	4,393	6,690	366	179
Accounts payable and other liabilities	(19,544)	(8,051)	9	1,422
Amounts due to other funds	(55)	300	(48)	322
Bonds and notes payable – current	(8,147)	–	(210)	–
Interest payable	(2,701)	–	(1,122)	–
Deferred revenue	–	–	–	2,617
Net Increase (Decrease) in Working Capital	$ 73,374	$ (265,944)	$ 33,103	$ 5,865

MACKINAC ISLAND STATE PARK COMMISSION	MICHIGAN STRATEGIC FUND	MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1990	SEPTEMBER 30, 1989 (RESTATED)*
$ 94	$ 6,862	$ 12,323	$ 42,891	$ 41,035
182	–	–	182	171
–	12	154	161	408
–	–	1,751	1,751	1,893
–	–	–	(4,093)	–
–	–	17,975	18,200	23,060
–	–	–	1,000	–
277	6,875	32,203	60,094	66,568
1,477	–	175,933	532,844	595,078
–	1,340	87,286	246,661	415,707
358	–	–	100,967	189,134
–	969	23,250	89,563	291,138
$ 2,113	$ 9,185	$ 318,672	$ 1,030,131	$ 1,557,626
$ –	$ –	$ –	$ 83,745	$ –
–	4,149	42,928	386,638	49,907
–	400	155,789	470,202	458,433
388	1,950	135,835	252,796	456,392
75	3,770	603	6,266	9,546
353	–	–	353	387
1,296	(1,084)	(16,483)	(169,871)	582,959
$ 2,113	$ 9,185	$ 318,672	$ 1,030,131	$ 1,557,626
$ (213)	$ 165	$ (265)	$ 4,425	$ 6,448
8	–	2,447	6,136	277
–	–	–	(2,189)	1,160
35	–	–	35	(12)
1,407	(1,855)	(52,967)	(189,664)	568,005
(12)	1,373	724	13,714	(1,248)
20	–	(714)	(26,856)	8,868
48	(869)	(458)	(761)	359
37	45	29,900	21,625	(6,812)
(35)	56	4,309	504	334
–	–	541	3,158	5,577
$ 1,296	$ (1,084)	$ (16,483)	$ (169,871)	$ 582,959

*The prior year column was restated to reflect a change in accounting for tuition benefit obligations of the Michigan Education Trust.

STATE OF MICHIGAN
DESCRIPTIONS OF INTERNAL SERVICE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 1990

CORRECTIONAL INDUSTRIES REVOLVING FUND

This fund was created by P.A. 210 of 1935 and continued by P.A. 15 of 1968 to account for the financial transactions of a manufacturing and processing industry, employing inmates of the State's correctional institutions. Public Act 245 of 1980 expanded the fund's sales market to include institutions of this or any other state or political subdivision thereof, the federal government or its agencies, and certain tax exempt organizations.

Public Act 205 of 1986 stipulates that the fund repay the General Fund for the cost of building and equipping prison factories included as part of new prison construction. The costs of buildings and equipment are to be repaid over 30 years and 10 years respectively.

MOTOR TRANSPORT REVOLVING FUND

This fund was created by P.A. 260 of 1947 and continued by P.A. 431 of 1984 to provide automotive transportation for State agencies. Activities include purchase, replacement, and maintenance of automotive equipment. Vehicles are available to agencies on a permanently assigned basis or through the motor pool for short term usage. The Motor Transport Division vehicles are furnished to agencies at a rate sufficient to cover all costs of operation and maintenance. Agencies are charged by Motor Transport Division on a monthly basis. The "Amounts due to other funds" on the balance sheet represents a payable to the State Sponsored Group Insurance Fund that was recorded in an amount equal to this fund's negative balance in the State's common cash pool.

OFFICE SERVICES REVOLVING FUND

Created by P.A. 262 of 1952, this fund provides services in the following areas: reproduction, microfilm, mailing, distribution of federal surplus property and purchase and storage of paper, stationery, and office supplies. The cost of the services or supplies is charged to user departments and agencies. Resultant revenue is credited to the revolving fund and is used for administration and operation of the program, including purchase of necessary equipment.

TELECOMMUNICATIONS REVOLVING FUND

This fund was created by administrative decision, the purpose of which is to provide telecommunication services to other State funds. Administrative costs are appropriated in the General Fund and financed by interfund transfer. The cost of providing services is charged to the user agencies on a monthly basis. Bonds and notes payable represent the financing of equipment by the State Building Authority.

RISK MANAGEMENT FUND

This fund was administratively established this fiscal year to account for certain centralized risk management functions performed by the Department of Management and Budget for other State agencies. Currently, only the employee bonding program is accounted for as an operating activity of the fund, as this is the only program for which the fund has assumed a degree of risk. Other activities of the fund include the centralized purchasing of insurance coverage where the fund assumes no risk. These transactions are recorded as collections and distributions in balance sheet accounts.

STATE SPONSORED GROUP INSURANCE FUND

This fund was administratively established to reflect the financial transactions of the Department of Civil Service's insurance plans which provide state sponsored health, long-term disability, life, vision, and dental coverage for participating employees and retirees. The plans' funding methods range from those where the State is fully self-insured to those where an outside carrier assumes partial risk on a contracted basis.

For those programs where the State purchases full coverage (e.g., health maintenance organizations), premiums are recorded as revenues and expenses. For self-insured (vision, dental, and most health coverage) and partially self-insured (long-term disability and life) benefit programs, the State recognizes revenues, expenses, and liabilities (insurance "reserves") in accordance with accounting principles applicable to insurance accounting in the private sector. This results in the recognition of unearned premiums (deferred revenues), rather than retained earnings, when a program's assets exceed its liabilities.

STATE WATER POLLUTION CONTROL LOAN FUND

The State Water Pollution Control Loan Fund was established within the Michigan Municipal Bond Authority (MMBA) per P.A. 316 of 1988, to provide loans to governmental units to finance their water quality improvement needs. Of the $800.0 million of general obligation bonds authorized by the voters on November 8, 1988, not more than $60.0 million shall be used to capitalize the fund. The MMBA may fund the State Water Pollution Control Loan Fund through federal grants, revenues of the Authority, or through any other means permitted under the Federal Water Pollution Control Act.

STATE OF MICHIGAN
COMBINING BALANCE SHEET
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 1990
(In Thousands)

	CORRECTIONAL INDUSTRIES REVOLVING FUND	MOTOR TRANSPORT REVOLVING FUND	OFFICE SERVICES REVOLVING FUND	TELE-COMMUNICATIONS REVOLVING FUND
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 10	$ -	$ 1,000	$ -
Equity in Common Cash	7,343	-	-	-
Amounts due from other funds	-	-	-	-
Amounts due from federal agencies	-	1	-	-
Amounts due from local units	152	-	41	-
Inventories	13,499	676	7,898	-
Other current assets	97	102	304	927
Total Current Assets	21,103	780	9,244	927
Advances to other funds	-	-	-	-
Amounts due from local units	-	-	-	-
Property, plant, and equipment:				
Buildings and equipment	30,396	86,194	8,765	24,089
Allowance for depreciation	(10,873)	(37,781)	(4,994)	(8,143)
Construction in progress	9,366	-	-	-
Total property, plant, and equipment	28,889	48,413	3,770	15,945
Other noncurrent assets	20	-	-	-
Total Assets	$ 50,012	$ 49,194	$ 13,015	$ 16,872
LIABILITIES AND FUND EQUITY				
Current Liabilities:				
Warrants outstanding	$ 362	$ 180	$ 135	$ 308
Accounts payable and other liabilities	1,344	1,937	1,967	4,663
Amounts due to other funds	389	19,838	1,703	922
Bonds and notes payable	-	-	-	98
Deferred revenue	-	-	38	115
Total Current Liabilities	2,095	21,956	3,844	6,109
Long-Term Liabilities:				
Advances from other funds	16,401	-	-	-
Deferred revenue	-	-	-	256
Bonds and notes payable	-	-	-	207
Other long-term liabilities	1,281	435	1,534	8,417
Total Liabilities	19,779	22,391	5,378	14,991
Fund Equity:				
Contributed Capital:				
From other funds	1,373	8,444	-	-
From other governmental units	-	-	-	-
Total Contributed Capital	1,373	8,444	-	-
Retained earnings - unreserved	28,859	18,358	7,636	1,881
Total Fund Equity	30,233	26,802	7,636	1,881
Total Liabilities and Fund Equity	$ 50,012	$ 49,194	$ 13,015	$ 16,872

RISK MANAGEMENT FUND	STATE SPONSORED GROUP INSURANCE FUND	STATE WATER POLLUTION CONTROL LOAN FUND	TOTALS SEPTEMBER 30, 1990	TOTALS SEPTEMBER 30, 1989
$ –	$ –	$ –	$ 1,011	$ 1,200
207	53,186	–	60,736	51,192
–	22,911	18,877	41,788	10,177
–	–	363	366	21
–	–	14	207	313
–	–	–	22,074	19,877
–	423	–	1,854	1,765
207	76,521	19,255	128,040	84,548
–	–	–	–	30,477
–	–	4,535	4,535	–
–	564	–	150,009	150,070
–	(302)	–	(62,094)	(54,574)
–	–	–	9,366	5,880
–	262	–	97,281	101,376
–	42,458	–	42,478	42,514
$ 207	$ 119,242	$ 23,791	$ 272,335	$ 258,917
$ 1	$ 16	$ –	$ 1,004	$ 894
98	61,013	142	71,166	68,918
–	–	246	23,100	5,800
–	–	–	98	252
107	15,718	–	15,980	26,962
207	76,748	388	111,350	102,828
–	–	–	16,401	41,492
–	–	–	256	372
–	–	–	207	306
–	33,444	–	45,113	40,955
207	110,192	388	173,329	185,956
–	–	19,640	29,458	9,818
–	–	3,779	3,779	–
–	–	23,419	33,237	9,818
–	9,049	(17)	65,767	63,142
-0-	9,049	23,402	99,005	72,961
$ 207	$ 119,242	$ 23,791	$ 272,335	$ 258,917

STATE OF MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
INTERNAL SERVICE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 1990
(In Thousands)

	CORRECTIONAL INDUSTRIES REVOLVING FUND	MOTOR TRANSPORT REVOLVING FUND	OFFICE SERVICES REVOLVING FUND	TELE-COMMUNICATIONS REVOLVING FUND
OPERATING REVENUES	$ 29,602	$ 35,552	$ 40,232	$ 12,371
OPERATING EXPENSES:				
Salaries, wages, and other administrative	15,133	12,172	14,474	8,864
Depreciation	1,408	13,366	1,004	2,427
Purchases for resale	-	5,794	23,959	-
Purchases for prison industries	11,750	-	-	-
Premiums and claims	-	2,277	-	-
Total Operating Expenses	28,292	33,610	39,438	11,291
Operating Income (Loss)	1,309	1,941	793	1,079
NONOPERATING REVENUES (EXPENSES):				
Federal grant revenue	-	-	-	-
Other nonoperating revenues	14	40	112	399
Other nonoperating expense	(45)	(484)	(113)	(677)
Total Nonoperating Revenues (Expenses)	(31)	(444)	-	(277)
Income (Loss) Before Operating Transfers	1,278	1,497	792	802
OPERATING TRANSFERS:				
Operating transfers in	4	2	4	-
Operating transfers out	(293)	(859)	(770)	(197)
Total Operating Transfers In (Out)	(288)	(856)	(765)	(196)
Net Income (Loss)	989	640	26	605
Retained Earnings - Beginning of fiscal year	27,870	17,717	7,609	1,275
Equity transfers from other funds	-	-	-	-
Equity transfers to other funds	-	-	-	-
Retained Earnings - End of fiscal year	$ 28,859	$ 18,358	$ 7,636	$ 1,881

RISK MANAGEMENT FUND	STATE SPONSORED GROUP INSURANCE FUND	STATE WATER POLLUTION CONTROL LOAN FUND	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1990	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1989
$ 132	$ 406,889	$ 16	$ 524,798	$ 462,877
–	22,069	179	72,894	64,620
–	61	–	18,267	17,563
–	–	–	29,754	27,455
–	–	–	11,750	10,756
132	384,360	–	386,770	344,168
132	406,491	179	519,438	464,564
–	398	(163)	5,360	(1,687)
–	–	395	395	–
–	–	–	566	519
–	–	–	(1,321)	(1,699)
–	–	395	(359)	(1,179)
–	397	231	5,000	(2,866)
–	–	–	12	3
–	(18)	(248)	(2,388)	(3,287)
–	(18)	(248)	(2,375)	(3,283)
-0-	379	(17)	2,624	(6,150)
-0-	8,670	-0-	63,142	69,293
–	–	–	–	443
–	–	–	–	(443)
$ -0-	$ 9,049	$ (17)	$ 65,767	$ 63,142

STATE OF MICHIGAN
COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION
INTERNAL SERVICE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 1990
(In Thousands)

	CORRECTIONAL INDUSTRIES REVOLVING FUND	MOTOR TRANSPORT REVOLVING FUND	OFFICE SERVICES REVOLVING FUND	TELE-COMMUNICATIONS REVOLVING FUND
SOURCES OF FUNDS:				
From operations:				
Net income (loss)	$ 989	$ 640	$ 26	$ 605
Items not requiring (providing) working capital:				
Depreciation	1,408	13,366	1,004	2,427
Compensated absences - long-term portion	171	17	38	39
Disability claims - long-term portion	-	-	-	-
Amortization of deferred items (net)	-	-	-	(115)
Loss (gain) on disposal of fixed assets	45	440	7	-
Working Capital Provided (Used) from Operations	2,614	14,464	1,077	2,957
From other sources:				
Proceeds from bonds and notes sold	-	-	-	-
Sale of fixed assets	2	3,795	96	-
Decrease in advances to other funds and other noncurrent assets	-	-	-	-
Increase in long-term lease obligations	-	-	131	282
Increase in advances from other funds and other long-term liabilities	5,386	-	-	-
Contributed capital additions	-	-	-	-
Equity transfers from other funds	-	-	-	-
Total Sources (Uses) of Funds	$ 8,003	$ 18,260	$ 1,304	$ 3,239
APPLICATION OF FUNDS:				
Increase in advances to other funds	$ -	$ -	$ -	$ -
Decrease in advances from other funds	-	30,477	-	-
Decrease in long-term bonds and notes payable	-	-	-	98
Increase in other noncurrent assets (net)	20	-	-	-
Additions to fixed assets	8,019	3,338	1,878	5,256
Decrease in other long-term liabilities	-	-	-	-
Equity transfers to other funds	-	-	-	-
Net increase (decrease) in working capital	(36)	(15,556)	(573)	(2,116)
Total Application of Funds	$ 8,003	$ 18,260	$ 1,304	$ 3,239
ELEMENTS OF NET INCREASE (DECREASE) IN WORKING CAPITAL:				
Cash and cash equivalents	$ 6	$ -	$ (194)	$ -
Equity in Common Cash	(2,101)	-	(215)	-
Amounts due from other funds	-	-	-	-
Amounts due from federal agencies	(19)	-	-	-
Amounts due from local units	(95)	-	(24)	-
Inventories	748	72	1,374	-
Other current assets	25	(122)	66	(63)
Warrants outstanding	(234)	58	138	(282)
Accounts payable and other liabilities	1,812	(737)	(41)	(1,560)
Amounts due to other funds	(178)	(14,828)	(1,685)	(362)
Bonds and notes payable current	-	-	-	153
Deferred revenue	-	-	9	-
Net Increase (Decrease) in Working Capital	$ (36)	$ (15,556)	$ (573)	$ (2,116)

RISK MANAGEMENT FUND	STATE SPONSORED GROUP INSURANCE FUND	STATE WATER POLLUTION CONTROL LOAN FUND	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1990	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1989
$ –	$ 379	$ (17)	$ 2,624	$ (6,150)
–	61	–	18,267	17,563
–	(1)	–	265	190
–	3,478	–	3,478	6,957
–	–	–	(115)	(115)
–	–	–	492	929
–	3,917	(17)	25,014	19,374
–	–	–	–	306
–	–	–	3,894	3,890
–	30,533	–	30,533	9,891
–	–	–	413	18
–	–	–	5,386	18,616
–	–	23,419	23,419	–
–	–	–	–	443
$ –	$ 34,451	$ 23,402	$ 88,661	$ 52,542
$ –	$ –	$ –	$ –	$ 13,027
–	–	–	30,477	–
–	–	–	98	–
–	–	4,535	4,555	–
–	65	–	18,559	35,925
–	–	–	–	1,839
–	–	–	–	443
–	34,385	18,866	34,970	1,305
$ –	$ 34,451	$ 23,402	$ 88,661	$ 52,542
$ –	$ –	$ –	$ (189)	$ 197
207	11,653	–	9,544	(12,666)
–	12,733	18,877	31,611	8,402
–	–	363	344	–
–	–	14	(105)	(104)
–	–	–	2,196	4,699
–	183	–	89	338
(1)	212	–	(109)	361
(98)	(1,480)	(142)	(2,248)	(8,528)
–	2	(246)	(17,299)	(5,590)
–	–	–	153	(252)
(107)	11,081	–	10,982	14,448
$ –	$ 34,385	$ 18,866	$ 34,970	$ 1,305

THIS PAGE INTENTIONALLY BLANK

STATE OF MICHIGAN
COMBINING BALANCE SHEET
TRUST AND AGENCY FUNDS – BY CLASSIFICATION
SEPTEMBER 30, 1990
(In Thousands)

				TOTALS	
	EXPENDABLE TRUST FUNDS	PENSION TRUST FUNDS	AGENCY FUNDS	SEPTEMBER 30, 1990	SEPTEMBER 30, 1989
ASSETS					
Current Assets:					
Cash and cash equivalents	$ 2,008	$ 12	$ 5,085	$ 7,107	$ 8,993
Equity in Common Cash	192,305	228,821	111,303	532,430	533,950
Taxes, interest, and penalties receivable	127,739	–	–	127,739	139,653
Amounts due from other funds	8,531	8,380	–	16,911	20,781
Amounts due from federal agencies	19,385	–	219	19,605	15,451
Amounts due from local units	26,382	47,121	–	73,503	64,993
Investments	1,057,509	2,627,132	68,301	3,752,943	3,516,186
Other current assets	20,678	172,446	23,730	216,855	1,367,627
Total Current Assets	1,454,539	3,083,916	208,641	4,747,096	5,667,638
Amounts due from local units	5,761	–	–	5,761	1,574
Investments	76,981	16,148,238	1,730,068	17,955,287	16,182,944
Property, plant, and equipment	–	19	–	19	21
Other noncurrent assets	6,744	–	490,056	496,800	343,069
Total Assets	$ 1,544,026	$19,232,173	$ 2,428,766	$23,204,966	$22,195,248
LIABILITIES AND FUND BALANCES					
Current Liabilities:					
Warrants outstanding	$ 5,683	$ 16,728	$ 335	$ 22,748	$ 22,551
Accounts payable and other liabilities	257,561	57,636	1,791	316,988	345,444
Amounts due to other funds	14,717	–	–	14,717	2,750
Deferred revenue	21,026	119	–	21,145	19,134
Total Current Liabilities	298,989	74,484	2,126	375,600	389,881
Long-Term Liabilities:					
Advances from other funds	1,681	–	86,410	88,091	2,121
Advances from federal agencies	417,510	–	–	417,510	602,517
Deferred revenue	220	–	–	220	232
Other long-term liabilities	–	–	2,340,229	2,340,229	2,206,901
Total Liabilities	718,400	74,484	2,428,766	3,221,650	3,201,654
Fund Balances:					
Reserved	–	19,157,689	–	19,157,689	17,733,623
Unreserved	825,625	–	–	825,625	1,259,970
Total Fund Balances	825,625	19,157,689	-0-	19,983,315	18,993,594
Total Liabilities and Fund Balances	$ 1,544,026	$19,232,173	$ 2,428,766	$23,204,966	$22,195,248

STATE OF MICHIGAN
DESCRIPTIONS OF EXPENDABLE TRUST FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 1990

MICHIGAN UNEMPLOYMENT COMPENSATION FUND

The Michigan Unemployment Compensation Fund is administered by the Michigan Employment Security Commission as authorized by P.A. 1 of 1936 (Extra Session). The fund receives contributions from employers and provides for the payment of benefits to eligible unemployed workers. It also makes payments under certain federally funded programs. Administrative costs of the fund are accounted for in the Michigan Employment Security Act - Administration Fund, which is a special revenue fund.

MICHIGAN EMPLOYMENT SECURITY ACT CONTINGENT FUND

The Michigan Employment Security Act Contingent Fund, which is administered by the Michigan Employment Security Commission (MESC), was created by P.A. 535 of 1982 to receive a special temporary unemployment tax surcharge, known as the solvency tax. The fund also receives interest and penalty charges on late contributions which can be spent at the discretion of the commission. Public Act 224 of 1989 restricts use of solvency taxes for payment of interest on the Michigan Unemployment Compensation borrowings from the federal government. Additionally, the act authorized the fund to make $21.0 million repayments out of its solvency tax and penalty and interest revenues during 1989-90. The repayments, which had been recorded as expenditures during 1988-89, were made prorata to employers who paid solvency taxes for year 1983-85.

MICHIGAN STATE ACCIDENT FUND

As explained more fully in Note #4 to the general purpose financial statements, this fund has been combined with the Accident Fund of Michigan which is now reported in the enterprise fund group.

SECOND INJURY FUND

Public Act 317 of 1969, as amended, created the Second Injury Fund to insure carriers and self-insured employers against certain workers' compensation losses. The fund is supervised by the administrator who is appointed by the fund's Board of Trustees. The fund's revenue consists of assessments, calculated under provisions of the act, which are assessed to insurance carriers and self-insured employers. Administrative costs are appropriated in the General Fund with financing provided by way of operating transfers.

STATE EMPLOYEES' DEFERRED COMPENSATION FUND II (401K)

The State Employees' Deferred Compensation Fund II (401k) was administratively established to account for a deferred compensation plan which permits State employees to defer a portion of their income until future years. A footnote to the General Purpose Financial Statements, titled "Deferred Compensation Plans," includes additional information on the plan.

TRANSPORTATION RELATED TRUST FUNDS

The transportation related trust funds column reflects the activities of four funds: the Special Federal Bridge Replacement Fund, the Federal County Road Fund, the Federal Urban Transportation System Fund, and the Highway Topics and Safety Program Fund. The Michigan Department of Transportation is recognized as the legal representative of the State including all governmental subdivisions in the administration of these programs. The financing accounted for in these funds consists primarily of local and federal matching funds with very little State funds. Financing provided prior to expenditures being incurred is recorded as deferred revenue and revenue is recognized as expenditures are made. As a result of this, the fund balances of these funds are usually zero.

The Special Federal Bridge Replacement Fund was established in conjunction with the Federal Highway Act of 1970, Section 144. This section was authorized by Congress to assist states in reconstructing or replacing roadway bridges which are found to be unsafe or obsolete.

The Federal County Road Fund was established in conjunction with the Federal Aid Highway Act of 1944. This act authorizes funds for projects on the secondary road system which are selected by the Michigan Department of Transportation in cooperation with county road commissions and the Bureau of Public Roads.

The Federal Urban Transportation System Fund was created to administer provisions of the Federal Highway Act of 1970, Section 106. The responsibility for administration of the act was placed in the Michigan Department of Transportation by Section 302(a) of Title 23, United States Code, and was authorized by section 7(m) of P.A. 286 of 1964. The principal objective of the fund is the improvement of urban highway systems in cooperation with local units of government.

The Highway Topics and Safety Program Fund was established in conjunction with the Federal Aid Highway Acts of 1968 and 1973. The objective of this program is to improve the safety and operating conditions of the existing street and road systems in urban areas.

MISCELLANEOUS TRUST ACCOUNTS FUND

This fund is used to report the transactions of several legally separated activities in which the State holds funds in a fiduciary manner. These activities include the following "funds": State Office Buildings Bond Redemption; Vietnam Veterans' Memorial Monument; Children's Institute Trust; Escheats; Accident Fund of Michigan Surplus Escrow; Gifts, Bequests, and Deposits Investment; Silicosis, Dust Disease, and Logging Industry Compensation; Agricultural College Fund - Morrill Act; Hospital Patients' Trust; Federal Housing Administration Mortgages Escrow; Self-Insurers' Security; Special Assessment Deferment; Urban Land Assembly Loan; Utility Consumer Representation; Bankrupt Self Insured Corporations Workers' Disability Funds #1 and #2; and Fred Sanders Inc. Workers' Compensation Trust.

STATE OF MICHIGAN
COMBINING BALANCE SHEET
EXPENDABLE TRUST FUNDS
SEPTEMBER 30, 1990
(In Thousands)

	MICHIGAN UNEMPLOYMENT COMPENSATION FUND	MICHIGAN EMPLOYMENT SECURITY ACT CONTINGENT FUND	SECOND INJURY FUND
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 116	$ -	$ 8
Equity in Common Cash	-	43,265	19,773
Taxes, interest, and penalties receivable	127,739	-	-
Amounts due from other funds	1,222	1,319	11
Amounts due from federal agencies	-	-	-
Amounts due from local units	22,531	-	-
Investments	1,032,610	-	-
Other current assets	14,035	-	184
Total Current Assets	1,198,253	44,584	19,977
Amounts due from local units	-	-	-
Investments	-	-	-
Other noncurrent assets	-	-	-
Total Assets	$ 1,198,253	$ 44,584	$ 19,977
LIABILITIES AND FUND BALANCES			
Current Liabilities:			
Warrants outstanding	$ -	$ 771	$ 1,121
Accounts payable and other liabilities	224,636	826	4,907
Amounts due to other funds	1,319	-	-
Deferred revenue	1,120	-	6,228
Total Current Liabilities	227,075	1,597	12,257
Long-Term Liabilities:			
Advances from other funds	-	-	-
Advances from federal agencies	417,510	-	-
Deferred revenue	-	-	-
Total Liabilities	644,585	1,597	12,257
Fund Balances:			
Unreserved	553,668	42,986	7,720
Total Fund Balances	553,668	42,986	7,720
Total Liabilities and Fund Balances	$ 1,198,253	$ 44,584	$ 19,977

STATE EMPLOYEES' DEFERRED COMPENSATION FUND II(401K)	TRANSPORTATION RELATED TRUST FUNDS	MISCELLANEOUS TRUST ACCOUNTS FUND	TOTALS SEPTEMBER 30, 1990	TOTALS SEPTEMBER 30, 1989
$ -	$ 16	$ 1,867	$ 2,008	$ 4,811
5,702	9,950	113,613	192,305	273,945
-	-	-	127,739	139,653
-	-	5,977	8,531	7,415
-	19,385	-	19,385	15,252
-	3,666	185	26,382	16,222
-	-	24,899	1,057,509	1,243,563
792	7	5,658	20,678	31,121
6,495	33,026	152,201	1,454,539	1,731,985
-	-	5,761	5,761	1,574
76,247	-	733	76,981	417,723
2,938	-	3,805	6,744	4,766
$ 85,681	$ 33,026	$ 162,502	$ 1,544,026	$ 2,156,049
$ 166	$ 2,193	$ 1,431	$ 5,683	$ 1,966
-	16,972	10,217	257,561	267,356
-	2,186	11,211	14,717	2,750
-	11,672	2,004	21,026	19,134
166	33,026	24,865	298,989	291,207
-	-	1,681	1,681	2,121
-	-	-	417,510	602,517
-	-	220	220	232
166	33,026	26,766	718,400	896,078
85,515	-	135,735	825,625	1,259,970
85,515	-0-	135,735	825,625	1,259,970
$ 85,681	$ 33,026	$ 162,502	$ 1,544,026	$ 2,156,049

STATE OF MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
EXPENDABLE TRUST FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 1990
(In Thousands)

	MICHIGAN UNEMPLOYMENT COMPENSATION FUND	MICHIGAN EMPLOYMENT SECURITY ACT CONTINGENT FUND	MICHIGAN STATE ACCIDENT FUND	SECOND INJURY FUND
REVENUES				
Taxes	$ 1,074,052	$ 574	$ -	$ -
From federal agencies	30,086	-	-	-
From local agencies	-	-	-	-
Miscellaneous	50,458	14,725	-	25,255
Total Revenues	1,154,596	15,299	-	25,255
EXPENDITURES				
Current:				
General government	-	-	-	-
Education	-	-	-	-
Health and welfare	-	-	-	-
Conservation, recreation, and agriculture	-	-	-	-
Labor, commerce, and regulatory	1,170,521	-	-	21,827
Mental health	-	-	-	-
Transportation	-	-	-	-
Total Expenditures	1,170,521	-	-	21,827
Excess of Revenues over (under) Expenditures	(15,925)	15,299	-	3,428
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	-	-
Operating transfers out	-	(985)	-	(3,322)
Total Other Financing Sources (Uses)	-	(985)	-	(3,322)
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(15,925)	14,314	-	105
Fund Balances - Beginning of fiscal year - as previously reported	569,593	28,672	459,330	7,614
Effect of accounting changes	-	-	(459,330)	-
Fund Balances - Beginning of fiscal year - restated	569,593	28,672	-0-	7,614
Equity transfers from other funds	-	-	-	-
Fund Balances - End of fiscal year	$ 553,668	$ 42,986	$ -0-	$ 7,720

STATE EMPLOYEES' DEFERRED COMPENSATION FUND II (401K)	TRANSPORTATION RELATED TRUST FUNDS	MISCELLANEOUS TRUST ACCOUNTS FUND	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1990	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1989
$ -	$ -	$ -	$ 1,074,626	$ 1,049,711
-	64,977	-	95,063	106,885
-	14,409	-	14,409	19,237
26,156	513	90,244	207,353	284,207
26,156	79,899	90,244	1,391,452	1,460,041
1,873	-	43,355	45,229	44,301
-	-	-	-	12
-	-	310	310	366
-	-	-	-	22
-	-	9,598	1,201,947	1,021,263
-	-	4,938	4,938	5,723
-	82,946	-	82,946	78,517
1,873	82,946	58,204	1,335,372	1,150,206
24,283	(3,046)	32,040	56,079	309,834
-	3,618	191	3,810	3,987
(536)	(572)	(35,170)	(40,588)	(45,706)
(536)	3,046	(34,978)	(36,777)	(41,718)
23,746	-	(2,938)	19,301	268,116
61,768	-0-	132,990	1,259,970	2,157,012
-	-	-	(459,330)	(1,165,157)
61,768	-0-	132,990	800,640	991,854
-	-	5,683	5,683	-
$ 85,515	$ -0-	$ 135,735	$ 825,625	$ 1,259,970

THIS PAGE INTENTIONALLY BLANK

STATE OF MICHIGAN
DESCRIPTIONS OF PENSION TRUST FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 1990

Additional Pension Trust Fund information regarding plan membership, benefits and funding requirements may be found in the footnote to the financial statements entitled "Pension Benefits."

LEGISLATIVE RETIREMENT FUND

The Legislative Retirement System was created by P.A. 261 of 1957 to provide retirement allowances, survivors' allowances, and other benefits for members of the Legislature and the presiding officers and their surviving spouses or children. Participants in the system have a deduction from each salary payment to partly finance the fund. In addition, legislative appropriations, interest on fund investments, and court fees complete the financing.

STATE POLICE RETIREMENT FUND

This fund was created by P.A. 251 of 1935 which was superseded by P.A. 182 of 1986 to provide retirement benefits for State Police officers. It is administered by a nine member board under the direction of a chairperson elected from the membership. Financing is provided by investment income and by an annual legislative appropriation from the General Fund.

STATE EMPLOYEES' RETIREMENT FUND

This fund was established by P.A. 240 of 1943 and is administered by a nine member board under the direction of an Executive Secretary. Public Act 216 of 1974 eliminated the requirement for member contributions and provided for financing by legislative appropriation and investment earnings.

PUBLIC SCHOOL EMPLOYEES' RETIREMENT FUND

In accordance with P.A. 300 of 1980, on October 1, 1981 the Public School Employees' Chapter I Retirement Fund was merged with the Public School Employees' Chapter II Retirement Fund to establish the Public School Employees' Retirement Fund. The two original funds were created by Public Acts 136 of 1945 and 259 of 1974, respectively. Administrative policy is governed by an eight member board.

Financing for the fund is provided by both annual appropriations by the Legislature and employer contributions. Under P.A. 91 of 1985, additional amounts may be contributed by employees to a "member investment plan."

PROBATE JUDGES' AND JUDGES' RETIREMENT FUNDS

Public Act 198 of 1951 and P.A. 165 of 1954 created the Judges' and Probate Judges' Retirement Funds respectively. These funds are administered by their respective boards under direction of the Executive Secretary of the State Employees' Retirement Fund. Financing is from member contributions, court filing fees as provided under law, investment earnings, and legislative appropriations. Amendments to the basic law by P.A. 508 and P.A. 510 of 1982 closed the Probate Judges' Retirement Fund to new members. As of January 1983, all new members of the judicial retirement system are included in the Judges' Retirement Fund.

MUNICIPAL EMPLOYEES' RETIREMENT FUND

The fund and its governing board were authorized by P.A. 135 of 1945 as amended. Revenues are provided to the fund from participating municipalities' and employees' contributions and investment income. Expenses are recorded for benefit payments, contribution refunds, and direct administrative charges. Additional administrative costs incurred in the General Fund are financed by operating transfers from this fund. The State of Michigan's responsibility is that of due care required of an administrator. It has no legal or moral obligation to provide funding requirements, as that is the responsibility of the participating municipalities.

As of October 1, 1988, the fund was reclassified from an expendable trust fund to a pension trust fund. This was done to reflect the current emphasis in pension accounting on the nature of the fund and the accounting basis (i.e., accrual) used, rather than the relationship between the fund and the reporting entity.

STATE OF MICHIGAN
COMBINING BALANCE SHEET
PENSION TRUST FUNDS
SEPTEMBER 30, 1990
(In Thousands)

	LEGISLATIVE RETIREMENT FUND	STATE POLICE RETIREMENT FUND	STATE EMPLOYEES' RETIREMENT FUND	PUBLIC SCHOOL EMPLOYEES' RETIREMENT FUND
ASSETS				
Current Assets:				
Cash and cash equivalents	$ –	$ –	$ 5	$ –
Equity in Common Cash	8,632	3,879	37,280	115,760
Amounts due from other funds	–	881	7,499	–
Amounts due from local units	97	–	–	41,816
Investments	500	51,075	469,857	1,994,890
Other current assets	751	3,706	33,512	111,019
Total Current Assets	9,981	59,543	548,155	2,263,487
Investments	51,906	356,576	3,367,405	11,077,052
Property, plant, and equipment:				
Buildings and equipment	–	–	5	18
Allowance for depreciation	–	–	(1)	(3)
Total property, plant, and equipment	–	–	4	14
Total Assets	$ 61,887	$ 416,120	$ 3,915,565	$13,340,554
LIABILITIES AND FUND BALANCES				
Current Liabilities:				
Warrants outstanding	$ 40	$ 345	$ 3,035	$ 12,923
Accounts payable and other liabilities	386	775	7,699	40,516
Deferred revenue	–	–	–	–
Total Current Liabilities	426	1,121	10,734	53,440
Total Liabilities	426	1,121	10,734	53,440
Fund Balances:				
Reserved for Pension Benefits	61,461	414,998	3,904,830	13,287,113
Total Fund Balances	61,461	414,998	3,904,830	13,287,113
Total Liabilities and Fund Balances	$ 61,887	$ 416,120	$ 3,915,565	$13,340,554

PROBATE JUDGES' RETIREMENT FUND	JUDGES' RETIREMENT FUND	MUNICIPAL EMPLOYEES' RETIREMENT FUND	TOTALS SEPTEMBER 30, 1990	TOTALS SEPTEMBER 30, 1989
$ –	$ –	$ 7	$ 12	$ 10
144	2,432	60,691	228,821	155,875
–	–	–	8,380	10,772
96	697	4,412	47,121	48,771
1,266	17,964	91,577	2,627,132	2,272,623
161	1,269	22,026	172,446	1,311,275
1,668	22,364	178,715	3,083,916	3,799,328
15,647	103,426	1,176,223	16,148,238	14,031,128
–	–	–	24	24
–	–	–	(4)	(2)
–	–	–	19	21
$ 17,316	$ 125,791	$ 1,354,938	$19,232,173	$17,830,478
$ 18	$ 124	$ 239	$ 16,728	$ 20,448
41	233	7,983	57,636	76,406
–	119	–	119	–
60	477	8,222	74,484	96,854
60	477	8,222	74,484	96,854
17,256	125,314	1,346,715	19,157,689	17,733,623
17,256	125,314	1,346,715	19,157,689	17,733,623
$ 17,316	$ 125,791	$ 1,354,938	$19,232,173	$17,830,478

STATE OF MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
PENSION TRUST FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 1990
(In Thousands)

	LEGISLATIVE RETIREMENT FUND	STATE POLICE RETIREMENT FUND	STATE EMPLOYEES' RETIREMENT FUND	PUBLIC SCHOOL EMPLOYEES' RETIREMENT FUND
OPERATING REVENUES:				
Contributions:				
From members	$ 610	$ 96	$ 2,698	$ 174,657
From employers	2,202	22,367	188,863	654,216
Total contributions from members and employers	2,813	22,464	191,561	828,873
Investment revenue (net)	4,752	32,144	307,571	1,040,167
Miscellaneous:				
Court fees for administration and annuities	1,064	–	–	–
Other	1	–	–	–
Total miscellaneous	1,066	–	–	–
Total Operating Revenues	8,632	54,608	499,132	1,869,041
OPERATING EXPENSES:				
Salaries, wages, and other administrative	408	223	1,800	5,339
Depreciation	–	–	–	1
Benefits, insurance, and refunds:				
Benefits paid to participants or beneficiaries	2,356	19,394	176,932	665,936
Medical, dental, and life insurance for retirants	1,043	5,266	69,406	155,768
Refunds	34	–	124	2,383
Total benefits, insurance, and refunds	3,435	24,660	246,464	824,088
Total Operating Expenses	3,843	24,884	248,264	829,429
Operating Income (Loss)	4,788	29,724	250,868	1,039,612
OPERATING TRANSFERS:				
Operating transfers in	–	–	35	5
Operating transfers out	(5)	(148)	(1,193)	(3,856)
Total Operating Transfers In (Out)	(5)	(148)	(1,158)	(3,851)
Net Income (Loss)	4,782	29,576	249,709	1,035,761
Fund Balances – Beginning of fiscal year – as previously reported	56,678	385,422	3,655,120	12,251,352
Effect of accounting changes	–	–	–	–
Fund Balances – Beginning of fiscal year – restated	56,678	385,422	3,655,120	12,251,352
Fund Balances – End of fiscal year	$ 61,461	$ 414,998	$ 3,904,830	$13,287,113

PROBATE JUDGES' RETIREMENT FUND	JUDGES' RETIREMENT FUND	MUNICIPAL EMPLOYEES' RETIREMENT FUND	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1990	TOTALS FISCAL YEARS ENDED SEPTEMBER 30, 1989
$ 115	$ 2,450	$ 12,103	$ 192,732	$ 175,433
76	1,486	6,645	875,859	763,467
192	3,937	18,749	1,068,591	938,901
1,343	9,544	128,562	1,524,085	1,658,427
669	5,329	-	7,063	6,849
-	-	-	3	-
669	5,329	-	7,066	6,850
2,205	18,811	147,311	2,599,744	2,604,178
56	151	3,804	11,784	10,569
-	-	-	2	2
1,574	6,237	48,191	920,623	867,567
-	72	-	231,558	179,805
-	72	3,644	6,258	17,830
1,574	6,382	51,835	1,158,440	1,065,203
1,630	6,533	55,640	1,170,227	1,075,776
574	12,277	91,671	1,429,517	1,528,402
-	-	-	40	107
(19)	(81)	(186)	(5,491)	(4,589)
(19)	(81)	(186)	(5,451)	(4,482)
554	12,196	91,485	1,424,066	1,523,920
16,701	113,117	1,255,230	17,733,623	15,044,580
-	-	-	-	1,165,122
16,701	113,117	1,255,230	17,733,623	16,209,702
$ 17,256	$ 125,314	$ 1,346,715	$19,157,689	$17,733,623

STATE OF MICHIGAN
DESCRIPTIONS OF AGENCY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 1990

METROPOLITAN PLANNING FUND

This fund was established by the Federal Highway Act of 1973, Section 112 and 134 to account for Federal "pass through" funds that reimburse local regional planning agencies for operating expenses. Local money is advanced to the fund, approximately 80% of which is reimbursed to the local unit by the federal government. The financing accounted for in this fund consists of federal and local money, and no State funds are involved.

CONTRIBUTION FUND (SOCIAL SECURITY)

This fund accounted for monies provided for social security coverage of employees of the State of Michigan and its political subdivisions. The fund, established by P.A. 205 of 1951, was administered by the State Employees' Retirement Board. Social Security reports and contributions by the employee and the employer were reported to the board.

Federal legislation was passed amending section 218 of the Social Security Act which required the State to cease collection of contributions before January 1, 1987. The statute of limitations for completion of any adjustment processing is set at three years after audit of activity through December 31, 1986. The fund has become obsolete and the remaining balances were reclassified to the General Fund as of October 1, 1989.

STATE EMPLOYEES' DEFERRED COMPENSATION FUND I (457)

The State Employees' Deferred Compensation Fund I (457) was administratively established to account for a deferred compensation plan which permits all State employees to defer a portion of their income until future years. The plan is administered by the Department of Civil Service. Employee contributions to the fund are recognized as increases to assets and liabilities. Benefits paid and administrative costs decrease assets and liabilities. Administrative costs are appropriated in the General Fund and are reimbursed by this fund. A footnote to the General Purpose Financial Statements, titled "Deferred Compensation Plans," includes additional information on the plan.

HAZARDOUS AND SOLID WASTE DISPOSAL FACILITIES CLOSURE GUARANTEE FUND

This fund was authorized by P.A. 641 of 1978, as amended, and P.A. 64 of 1979 to account for cash bonds posted by applicants desiring licenses to operate hazardous and solid waste disposal areas. In accordance with P.A. 641 of 1978, as amended, interest earnings up to 6% are credited to the applicant's account. This act also specifies the circumstances under which the director of the Department of Natural Resources is authorized to use the deposits to close and maintain a facility or return the deposit upon the operator's satisfactory closure and maintenance of the facility.

INSURANCE CARRIER DEPOSITS FUND

This fund was administratively established to account for deposits held by the State Treasurer on behalf of insurance carriers who operate in this State and are required by P.A. 218 of 1956, as amended, to provide such deposits. Additional deposits, related to insurance companies in receivership, are held under the control of the Insurance Bureau of the Department of Licensing and Regulation. All deposits are in the form of various securities and other acceptable assets.

FINANCIAL INSTITUTIONS DEPOSITS FUND

This fund was administratively created as of October 1, 1988. It is used to account for security deposits held by the State Treasurer on behalf of banks which operate trust departments. Deposits are in the form of securities or other acceptable assets.

STATE TREASURER'S ESCROW AND PAYING AGENT FUND

This fund was administratively created to account for investments held in escrow by the State Treasurer as fiscal agent for hospitals which have defeased Michigan State Hospital Finance Authority bonds. Last year, the fund was only used to account for the defeased bonds of the Michigan State Hospital Finance Authority, which has a June 30 year-end. This year, the fund has been expanded to include additional escrow and paying agent activities performed by the State Treasurer, including paying agent transactions on various State bonds and bonds of the State Building Authority. The additions and deductions columns this year reflect fifteen months of activity to convert the transactions to a September 30 year-end.

STATE OF MICHIGAN
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES – AGENCY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 1990
(In Thousands)

	BALANCE OCTOBER 1, 1989	ADDITIONS	DEDUCTIONS	BALANCE SEPTEMBER 30, 1990
METROPOLITAN PLANNING FUND				
ASSETS				
Current Assets:				
Equity in Common Cash	$ 85	$ 2,401	$ 2,299	$ 186
Amounts due from federal agencies	198	218	198	218
Total Assets	$ 284	$ 2,619	$ 2,498	$ 405
LIABILITIES				
Current Liabilities:				
Warrants outstanding	$ 28	$ 13	$ –	$ 41
Accounts payable and other liabilities	256	2,585	2,477	364
Total Liabilities	$ 284	$ 2,598	$ 2,477	$ 405
FINANCIAL INSTITUTIONS DEPOSITS FUND				
ASSETS				
Other Noncurrent Assets	$ 28,070	$ 1,600	$ 5,210	$ 24,460
Total Assets	$ 28,070	$ 1,600	$ 5,210	$ 24,460
LIABILITIES				
Long-Term Liabilities:				
Other long-term liabilities	$ 28,070	$ 1,600	$ 5,210	$ 24,460
Total Liabilities	$ 28,070	$ 1,600	$ 5,210	$ 24,460
CONTRIBUTION FUND (SOCIAL SECURITY)				
ASSETS				
Current Assets:				
Equity in Common Cash	$ 140	$ –	$ 140	$ –
Total Assets	$ 140	$ –	$ 140	$ -0-
LIABILITIES				
Current Liabilities:				
Accounts payable and other liabilities	$ 140	$ –	$ 140	$ –
Total Liabilities	$ 140	$ –	$ 140	$ -0-

Continued on next page.

STATE OF MICHIGAN
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES – AGENCY FUNDS (Continued)
FISCAL YEAR ENDED SEPTEMBER 30, 1990
(In Thousands)

	BALANCE OCTOBER 1, 1989	ADDITIONS	DEDUCTIONS	BALANCE SEPTEMBER 30, 1990
STATE EMPLOYEES DEFERRED COMPENSATION FUND I (457)				
ASSETS				
Current Assets:				
Cash and cash equivalents	$ –	$ 7	$ –	$ 7
Equity in Common Cash	101,610	542,369	535,388	108,590
Amounts due from other funds	2,570	–	2,570	–
Other current assets	–	2	–	2
Total Current Assets	104,180	542,379	537,959	108,600
Investments	729,822	553,798	434,072	849,548
Total Assets	$ 834,083	$ 1,096,177	$ 972,032	$ 958,149
LIABILITIES				
Current Liabilities:				
Warrants outstanding	$ 75	$ –	$ 39	$ 36
Accounts payable and other liabilities	2	5	–	8
Total Current Liabilities	78	5	39	44
Long-Term Liabilities:				
Other long-term liabilities	833,925	170,558	46,379	958,104
Total Liabilities	$ 834,003	$ 170,564	$ 46,419	$ 958,149
HAZARDOUS AND SOLID WASTE DISPOSAL FACILITIES CLOSURE GUARANTEE FUND				
ASSETS				
Current Assets:				
Equity in Common Cash	$ 1,250	$ 814	$ 655	$ 1,409
Amounts due from other funds	22	–	22	–
Total Assets	$ 1,273	$ 814	$ 678	$ 1,409
LIABILITIES				
Current Liabilities:				
Accounts payable and other liabilities	$ 1,273	$ 776	$ 640	$ 1,409
Total Liabilities	$ 1,273	$ 776	$ 640	$ 1,409
INSURANCE CARRIER DEPOSITS FUND				
ASSETS				
Current Assets:				
Equity in Common Cash	$ 1,042	$ 24,011	$ 23,937	$ 1,117
Total Current Assets	1,042	24,011	23,937	1,117
Other noncurrent assets	310,232	170,584	15,220	465,596
Total Assets	$ 311,275	$ 194,595	$ 39,157	$ 466,713
LIABILITIES				
Current Liabilities:				
Warrants outstanding	$ 33	$ 224	$ –	$ 257
Accounts payable and other liabilities	9	23,161	23,161	9
Total Current Liabilities	42	23,386	23,161	267
Long-Term Liabilities:				
Other long-term liabilities	311,232	171,434	16,220	466,446
Total Liabilities	$ 311,275	$ 194,820	$ 39,382	$ 466,713

Continued on next page.

STATE OF MICHIGAN
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES – AGENCY FUNDS (Continued)
FISCAL YEAR ENDED SEPTEMBER 30, 1990
(In Thousands)

	BALANCE OCTOBER 1, 1989	ADDITIONS	DEDUCTIONS	BALANCE SEPTEMBER 30, 1990
STATE TREASURER'S ESCROW AND PAYING AGENT FUND				
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 4,172	$ 831,841	$ 830,936	$ 5,078
Investments	–	279,173	210,872	68,301
Other current assets	25,231	99,729	101,232	23,728
Total Current Assets	29,403	1,210,744	1,143,041	97,108
Investments	1,004,268	200,360	324,109	880,519
Total Assets	$ 1,033,673	$ 1,411,105	$ 1,467,150	$ 977,628
LIABILITIES				
Long-Term Liabilities:				
Advances from other funds	$ –	$ 86,410	$ –	$ 86,410
Other long-term liabilities	1,033,673	575,284	717,739	891,218
Total Liabilities	$ 1,033,673	$ 661,694	$ 717,739	$ 977,628
TOTALS – ALL AGENCY FUNDS				
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 4,172	$ 831,848	$ 830,936	$ 5,085
Equity in Common Cash	104,129	569,596	562,421	111,303
Amounts due from other funds	2,593	–	2,593	–
Amounts due from federal agencies	198	219	198	219
Investments	–	279,173	210,872	68,301
Other current assets	25,231	99,731	101,232	23,730
Total Current Assets	136,325	1,780,569	1,708,254	208,641
Investments	1,734,092	754,159	758,182	1,730,068
Other noncurrent assets	338,303	172,184	20,430	490,056
Total Assets	$ 2,208,720	$ 2,706,913	$ 2,486,867	$ 2,428,766
LIABILITIES				
Current Liabilities:				
Warrants outstanding	$ 137	$ 237	$ 39	$ 335
Accounts payable and other liabilities	1,681	26,529	26,420	1,791
Total Current Liabilities	1,819	26,767	26,459	2,126
Long-Term Liabilities:				
Advances from other funds	–	86,410	–	86,410
Other long-term liabilities	2,206,901	918,877	785,549	2,340,229
Total Liabilities	$ 2,208,720	$ 1,032,054	$ 812,009	$ 2,428,766

THIS PAGE INTENTIONALLY BLANK

STATE OF MICHIGAN

SCHEDULE OF GENERAL FIXED ASSETS ACCOUNT GROUP BY FUNCTION

SEPTEMBER 30, 1990

(In Thousands)

FUNCTION	LAND	BUILDINGS	EQUIPMENT	TOTAL
General government	$ 31,355	$ 244,173	$ 85,387	$ 360,916
Education	315	12,317	9,853	22,486
Health and welfare	1,934	154,039	65,647	221,621
Public safety and corrections	24,906	684,089	91,952	800,948
Conservation, recreation, and agriculture	119,592	54,545	62,796	236,934
Labor, commerce, and regulatory	711	23,143	36,718	60,572
Mental health	22,924	257,226	27,298	307,449
Transportation	3,854	56,054	87,781	147,689
Total general fixed assets allocated to functions	$ 205,594	$ 1,485,590	$ 467,435	2,158,620
Construction in progress				295,793
Total general fixed assets				$ 2,454,413

SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS BY FUNCTION

FISCAL YEAR ENDED SEPTEMBER 30, 1990

(In Thousands)

FUNCTION	BALANCE SEPTEMBER 30, 1989	ADDITIONS	DELETIONS	ADJUSTMENTS AND RECLASSIFICATIONS	BALANCE SEPTEMBER 30, 1990
General government	$ 351,009	$ 25,818	$ 6,011	$ (9,900)	$ 360,916
Education	21,838	696	564	516	22,486
Health and welfare	185,618	37,627	17,534	15,910	221,621
Public safety and corrections	701,794	20,997	4,296	82,453	800,948
Conservation, recreation, and agriculture	223,481	11,854	2,983	4,581	236,934
Labor, commerce, and regulatory	59,602	14,298	14,530	1,202	60,572
Mental health	305,260	6,516	5,420	1,093	307,449
Transportation	141,039	14,185	5,815	(1,719)	147,689
Total general fixed assets allocated to functions	1,989,644	131,994	57,156	94,137	2,158,620
Construction in progress	240,538	182,653	-	(127,398)	295,793
Total general fixed assets	$ 2,230,183	$ 314,648	$ 57,156	$ (33,261)	$ 2,454,413

STATE OF MICHIGAN
COMBINED SCHEDULE OF REVENUE AND OTHER FINANCING SOURCES
GENERAL AND SPECIAL REVENUE FUNDS – STATE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 1990
(In Thousands)

SOURCE	TOTAL	GENERAL FUND	SPECIAL REVENUE FUNDS
TAXES			
Sales tax	$ 2,671,267	$ 1,022,949	$ 1,648,318
Personal income tax	3,907,700	3,907,700	-
Corporation income tax	1,535	1,535	-
Single business tax	1,798,604	1,798,604	-
Use tax	473,918	473,918	-
Cigarette tax	255,339	234,912	20,427
Beer and wine tax	52,105	52,105	-
Liquor tax	62,428	41,941	20,486
Horse race wagering tax	20,627	20,627	-
Intangibles tax	119,805	119,805	-
Inheritance tax	124,402	124,402	-
Telephone and telegraph company tax	142,271	142,271	-
Insurance company taxes	78,647	78,647	-
Motor vehicle weight tax	409,819	-	409,819
Gasoline tax	678,432	52,176	626,256
Aviation fuel tax	6,815	-	6,815
Diesel fuel tax	53,292	-	53,292
Gas and oil severance tax	45,570	45,570	-
Industrial facilities tax	61,645	-	61,645
Penalties and interest – various taxes	77,337	77,320	17
Convention hotel accommodation tax	10,304	10,304	-
Airport parking tax	7,378	7,378	-
Other taxes	3,147	2,103	1,044
	11,062,400	8,214,275	2,848,125
FROM FEDERAL AGENCIES			
Department of Health and Human Services	2,836,800	2,836,609	190
Department of Education	307,219	259,913	47,306
Department of Agriculture	262,902	262,900	1
Department of Labor	288,005	164,297	123,707
Department of Housing and Urban Development	21,364	21,364	-
Environmental Protection Agency	24,410	24,410	-
Department of Energy	13,059	13,059	-
Department of Transportation	313,332	7,016	306,316
Department of Interior	14,549	11,139	3,409
Department of Defense	19,294	19,294	-
Department of Justice	9,339	9,339	-
Other federal agencies	26,178	24,560	1,618
	4,136,457	3,653,906	482,551
FROM LOCAL AGENCIES			
Counties	98,169	86,988	11,180
Cities, villages, and townships	22,103	20,540	1,563
Colleges and universities	6,000	6,000	-
School districts	7,328	7,328	-
Multi-level governmental units	12,570	1,708	10,861
Other local agencies	15,401	4,410	10,991
	161,574	126,977	34,597

Continued on next page.

STATE OF MICHIGAN
COMBINED SCHEDULE OF REVENUE AND OTHER FINANCING SOURCES
GENERAL AND SPECIAL REVENUE FUNDS – STATE FUNDS (Continued)
FISCAL YEAR ENDED SEPTEMBER 30, 1990
(In Thousands)

SOURCE	TOTAL	GENERAL FUND	SPECIAL REVENUE FUNDS
FROM SERVICES			
Charges for furnishing vehicle driver records	$ 25,582	$ 25,582	$ -
Revenue for patient, ward, and inmate care	62,979	62,979	-
Other services	13,988	13,012	975
	102,550	101,575	975
FROM LICENSES AND PERMITS			
Liquor retailers', manufacturers', and wholesalers' licenses	11,745	11,745	-
Motor vehicle operators' and chauffeurs' licenses	29,554	17,340	12,214
Examination fees – financial institutions and insurance industry	9,463	9,463	-
Department of Licensing and Regulation licenses and permits	20,393	20,393	-
Concession and privilege fees – State parks	11,004	11,004	-
Motor vehicle related	69,659	9,084	60,575
Hunting, fishing, and trapping licenses	39,357	-	39,357
Public utility assessment fees	15,625	15,625	-
Department of Commerce licenses and permits	7,376	7,376	-
Department of Agriculture licenses and permits	1,775	1,775	-
Auto repair facilities and mechanics licenses and fees	3,955	3,955	-
Corporation franchise fees	6,360	6,360	-
Underground storage tank program fees	4,201	4,201	-
Other licenses and permits	33,980	16,527	17,452
	264,453	134,854	129,599
MISCELLANEOUS			
Income from investments	104,107	8,040	96,067
Various fines, fees, and assessments	23,746	16,813	6,933
Court fines, fees, and assessments	18,528	18,528	-
Oil and gas royalties, fees, assignments, and rentals	45,957	6,132	39,825
International Bridge Authority reimbursements	1,581	-	1,581
Sale of forest products on tax reverted land	7,279	7,279	-
Child support	153,324	153,324	-
Sale of land	2,174	549	1,625
Third party	5,192	5,192	-
Gain on refinanced local unit loans	4,950	4,950	-
Other	141,270	119,548	21,722
	508,114	340,359	167,755
Total Revenues	16,235,550	12,571,947	3,663,603
OTHER FINANCING SOURCES			
Proceeds from bond issues and bond anticipation notes	225,506	-	225,506
Capital lease acquisitions	62,904	61,877	1,027
Operating transfers in:			
From general and special revenue funds	1,602,444	245,937	1,356,506
From Liquor Purchase Revolving Fund	63,518	63,518	-
From State Lottery Fund	490,365	1,234	489,130
From Escheats Fund	18,725	18,725	-
From Gifts, Bequests, and Deposits Investment Fund	14,305	12,262	2,043
From State Building Authority	2,237	2,237	-
From State Building Authority Advance Financing Funds	13,091	13,091	-
From other funds	21,388	14,113	7,274
Total Other Financing Sources	2,514,488	432,998	2,081,489
Total Revenue and Other Financing Sources	$18,750,039	$13,004,945	$ 5,745,093

STATE OF MICHIGAN
SCHEDULE OF REVENUE AND OTHER FINANCING SOURCES
GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 1990
(In Thousands)

SOURCE	TOTAL	GENERAL PURPOSE	RESTRICTED REVENUES
TAXES			
Sales tax	$ 1,022,949	$ 612,177	$ 410,771
Personal income tax	3,907,700	3,520,527	387,173
Corporation income tax	1,535	1,535	-
Single business tax	1,798,604	1,500,139	298,465
Use tax	473,918	472,640	1,278
Cigarette tax	234,912	194,057	40,854
Beer and wine tax	52,105	52,105	-
Liquor tax	41,941	21,454	20,487
Horse race wagering tax	20,627	1,089	19,538
Intangibles tax	119,805	110,263	9,542
Inheritance tax	124,402	124,402	-
Telephone and telegraph company tax	142,271	142,271	-
Insurance company taxes	78,647	78,647	-
Gasoline tax	52,176	-	52,176
Gas and oil severance tax	45,570	45,570	-
Penalties and interest - various taxes	77,320	74,313	3,006
Convention hotel accommodation tax	10,304	-	10,304
Airport parking tax	7,378	-	7,378
Other taxes	2,103	1,820	283
	8,214,275	6,953,015	1,261,259
FROM FEDERAL AGENCIES			
Department of Health and Human Services	2,836,609	108,076	2,728,533
Department of Education	259,913	447	259,466
Department of Agriculture	262,900	882	262,018
Department of Labor	164,297	877	163,419
Department of Housing and Urban Development	21,364	-	21,364
Environmental Protection Agency	24,410	29	24,380
Department of Energy	13,059	92	12,967
Department of Transportation	7,016	5	7,010
Department of Interior	11,139	33	11,106
Department of Defense	19,294	210	19,083
Department of Justice	9,339	40	9,299
Other federal agencies	24,560	8,409	16,150
	3,653,906	119,106	3,534,800
FROM LOCAL AGENCIES			
Counties	86,988	21,143	65,845
Cities, villages, and townships	20,540	46	20,493
Colleges and universities	6,000	-	6,000
School districts	7,328	-	7,328
Multi-level governmental units	1,708	81	1,626
Other local agencies	4,410	7	4,402
	126,977	21,278	105,698
FROM SERVICES			
Charges for furnishing vehicle driver records	25,582	3,538	22,044
Revenue for patient, ward, and inmate care	62,979	4	62,975
Other services	13,012	385	12,627
	101,575	3,927	97,648

Continued on next page.

STATE OF MICHIGAN
SCHEDULE OF REVENUE AND OTHER FINANCING SOURCES
GENERAL FUND (Continued)
FISCAL YEAR ENDED SEPTEMBER 30, 1990
(In Thousands)

SOURCE	TOTAL	GENERAL PURPOSE	RESTRICTED REVENUES
FROM LICENSES AND PERMITS			
Liquor retailers', manufacturers', and wholesalers' licenses	$ 11,745	$ -	$ 11,745
Motor vehicle operators' and chauffeurs' licenses	17,340	708	16,631
Examination fees - financial institutions and insurance industry	9,463	-	9,463
Department of Licensing and Regulation licenses and permits	20,393	9,765	10,628
Concession and privilege fees - State parks	11,004	-	11,004
Motor vehicle related	9,084	23	9,060
Public utility assessment fees	15,625	-	15,625
Department of Commerce licenses and permits	7,376	208	7,168
Department of Agriculture licenses and permits	1,775	275	1,500
Auto repair facilities and mechanics licenses and fees	3,955	1,007	2,947
Corporation franchise fees	6,360	113	6,247
Underground storage tank program fees	4,201	-	4,201
Other licenses and permits	16,527	2,460	14,067
	134,854	14,564	120,289
MISCELLANEOUS			
Income from investments	8,040	2,401	5,638
Various fines, fees, and assessments	16,813	1,274	15,538
Court fines, fees, and assessments	18,528	7,380	11,147
Oil and gas royalties, fees, assignments, and rentals	6,132	-	6,132
Sale of forest products on tax reverted land	7,279	-	7,279
Child support	153,324	-	153,324
Sale of land	549	256	292
Third party	5,192	-	5,192
Gain on refinanced local unit loans	4,950	4,950	-
Other	119,548	46,745	72,803
	340,359	63,008	277,350
Total Revenues	12,571,947	7,174,901	5,397,046
OTHER FINANCING SOURCES			
Capital lease acquisitions	61,877	61,877	-
Operating transfers in:			
From special revenue funds	245,937	75,363	170,573
From Liquor Purchase Revolving Fund	63,518	46,748	16,769
From State Lottery Fund	1,234	942	292
From Escheats Fund	18,725	18,466	258
From Gifts, Bequests, and Deposits Investment Fund	12,262	10	12,251
From State Building Authority	2,237	2,237	-
From State Building Authority Advance Financing Funds	13,091	13,091	-
From other funds	14,113	611	13,502
Total Other Financing Sources	432,998	219,349	213,648
Total Revenue and Other Financing Sources (GAAP)	13,004,945	7,394,251	5,610,694
BUDGETARY BASIS ADJUSTMENTS			
Capital lease acquisitions	(61,877)	(61,877)	-
Total Revenue and Other Financing Sources (budgetary basis)	$12,943,068	$ 7,332,374	$ 5,610,694

STATE OF MICHIGAN
SOURCE AND DISPOSITION OF GENERAL FUND AUTHORIZATIONS
FISCAL YEAR ENDED SEPTEMBER 30, 1990
(In Thousands)

BRANCH AND DEPARTMENT	CURRENT LEGISLATIVE APPROPRIATION	UNEXPENDED BALANCES FROM PRIOR YEARS	RESTRICTED REVENUE ADDITIONS	BUDGETARY TRANSFERS IN (OUT)	GROSS AUTHORIZATIONS
Legislative Branch	$ 106,558	$ 19,189	$ 4,995	$ 37	$ 130,781
Judicial Branch	112,619	2,105	41,100	–	155,824
Executive Branch:					
Executive Office	4,071	–	–	–	4,072
Management and Budget	219,971	197,716	1,193,210	(4,385)	1,606,512
Attorney General	23,662	86	7,048	846	31,643
Civil Rights	10,932	209	1,326	–	12,467
Civil Service	15,604	533	7,110	–	23,248
State	16,961	4,640	100,593	–	122,195
Treasury	101,997	29,485	126,114	–	257,598
Education	890,717	7,007	485,267	(48)	1,382,943
Grants to Colleges and Universities	1,329,842	35,372	–	3,747	1,368,962
Public Health	146,426	13,557	249,875	777	410,637
Mental Health	878,289	34,888	341,871	89	1,255,138
Social Services	2,353,389	50,173	2,492,728	169	4,896,461
Corrections	734,138	111,387	8,000	(790)	852,735
Military Affairs	12,634	6,909	15,970	53	35,568
State Police	191,318	20,518	41,356	1,225	254,418
Commerce	104,351	29,203	90,248	(2,729)	221,073
Labor	79,181	34,705	218,219	841	332,948
Licensing and Regulation	11,695	489	13,391	–	25,575
Natural Resources	112,475	83,661	142,512	(52)	338,596
Agriculture	31,255	13,397	28,181	218	73,053
Items Not Assigned to Departments	–	–	1,572	–	1,572
TOTAL	$ 7,488,095	$ 695,239	$ 5,610,694	$ –	$13,794,029

*Unused spending authority which does not lapse has been broken into two categories:

Timing differences are subtracted from Gross Authorizations in order to show an annualized Budget that is comparable to the current year's Actual uses. Timing differences consist of unused authorizations for multiyear projects, such as capital outlay and work projects, and also restricted revenues which were not available for expenditure in the current year because they had not been appropriated.

Restricted revenue balances forward in the Variances category represents restricted revenue carry-overs that could have been used in the current period but were not.

NOTE: This schedule was prepared on the Statutory/Budgetary basis.

LESS: TIMING DIFFERENCES*	"BUDGET" AS PRESENTED IN STATEMENTS	"ACTUAL" EXPENDED AND TRANSFERRED	"ACTUAL" ENCUMBERED BALANCES FORWARD	"FAVORABLE VARIANCES" RESTRICTED REVENUE BALANCES FORWARD*	"FAVORABLE VARIANCES" LAPSED	"UNFAVORABLE VARIANCES" OVER EXPENDED
$ 12,524	$ 118,256	$ 115,481	$ 1,028	$ 1,802	$ 117	$ 173
1,308	154,516	153,347	1,056	-	112	-
-	4,072	3,943	-	-	129	-
239,871	1,366,641	1,328,492	1,218	3,221	33,708	-
14	31,629	31,451	36	-	145	4
154	12,313	12,182	73	-	57	-
-	23,248	21,125	926	-	1,197	-
181	122,013	117,029	1,273	1,774	1,974	39
20,107	237,490	228,652	206	150	8,481	-
7,341	1,375,602	1,370,118	3,027	118	2,658	320
25,727	1,343,234	1,343,026	75	-	133	-
4,310	406,327	404,114	3,213	207	160	1,368
22,949	1,232,188	1,252,079	8,682	790	195	29,558
7,931	4,888,529	5,110,671	17,433	-	314	239,889
80,013	772,721	773,075	1,097	6	10,160	11,617
2,715	32,852	30,496	353	1,220	813	30
20,376	234,042	228,237	544	2,458	2,801	-
4,336	216,737	188,909	21,859	1,099	4,875	7
5,474	327,473	292,924	22,112	7,664	5,197	424
44	25,531	24,525	365	53	587	-
46,098	292,498	274,448	5,086	9,171	4,196	404
4,577	68,475	60,912	5,297	1,283	994	12
1,572	-	-	-	-	-	-
$ 507,630	$13,286,399	$13,365,244	$ 94,970	$ 31,024	$ 79,013	$ 283,853

THIS PAGE INTENTIONALLY BLANK

THIS PAGE INTENTIONALLY BLANK

STATE OF MICHIGAN
REQUIRED SUPPLEMENTARY HISTORICAL TREND INFORMATION
LEGISLATIVE RETIREMENT SYSTEM
LAST SIX YEARS
SEPTEMBER 30, 1990
(In Millions)

I Analysis of Funding Progress

Fiscal Year	Net Assets* Available for Benefits	Pension Benefit Obligation	Percentage Funded	Unfunded Pension Benefit Obligation	Annual Covered Payroll	Unfunded Pension Benefit Obligation as a Percentage of Covered Payroll
1984-1985	$ 39.2	$ 41.2	95.1%	$ 2.0	$ 4.9	40.8%
1985-1986	43.4	44.8	96.9	1.4	5.4	25.9
1986-1987	49.4	53.0	93.2	3.6	5.7	63.2
1987-1988	51.5	57.1	90.2	5.5	5.9	93.2
1988-1989	56.7	63.2	89.6	6.5	6.3	103.5
1989-1990	61.4	68.1	90.3	6.6	6.8	97.9

II Revenues by Source and Expenses (and Operating Transfers Out) by Type

Revenues By Source

Fiscal Year	Employee Contributions Pensions	Employee Contributions Insur. Benefits	Employer Contributions Dollar Amount Other	Employer Contributions Dollar Amount Pensions	Employer Contributions Pensions as % of Covered Payroll	Investment Income	Other Income	Total
1984-1985	$ .2	$ .1	$ .9	$1.4	28.6%	$3.9	$ .1	$6.3
1985-1986	.3	.1	.9	1.5	27.8	3.6	-	6.4
1986-1987	.3	.1	1.0	1.6	28.1	5.5	.1	8.6
1987-1988	.5	.1	.9	1.9	31.8	1.9	-	5.3
1988-1989	.4	.1	.9	2.2	34.9	4.9	.2	8.6
1989-1990	.5	.1	1.0	2.3	33.5	4.8	-	8.6

Expenses (and Operating Transfers Out) By Type

Fiscal Year	Benefits	Administration Expenses	Refunds	Other	Total
1984-1985	$ 2.0	$ .1	$ -	$ -	$ 2.1
1985-1986	2.0	.2	-	-	2.2
1986-1987	2.3	.3	-	-	2.6
1987-1988	2.8	.3	-	-	3.2
1988-1989	3.1	.3	-	-	3.4
1989-1990	3.4	.4	-	-	3.8

Schedule I demonstrates the progress the fund has made in accumulating sufficient assets to pay benefits when due. Since both the unfunded pension benefit obligation and the annual covered payroll are affected by inflation, the calculation of the unfunded pension benefit obligation as a percent of covered payroll provides information for analysis which substantially adjusts for inflation.

Schedule II presents revenues by source and expenses by type. Contributions were made in accordance with actuarially determined contribution requirements unless specifically identified.

Information for fiscal years prior to 1984-85 is not available. Each year these schedules will be expanded until they present 10 years of information.

*at cost

STATE OF MICHIGAN
REQUIRED SUPPLEMENTARY HISTORICAL TREND INFORMATION
STATE POLICE RETIREMENT SYSTEM
LAST SIX YEARS
SEPTEMBER 30, 1990
(In Millions)

I Analysis of Funding Progress

Fiscal Year	Net Assets* Available for Benefits	Pension Benefit Obligation	Percentage Funded	Unfunded Pension Benefit Obligation	Annual Covered Payroll	Unfunded Pension Benefit Obligation as a Percentage of Covered Payroll
1984-1985	$234.3	$339.7	70.0%	$105.4	$69.4	151.9%
1985-1986	276.7	367.9	75.2	91.2	74.0	123.2
1986-1987	326.2	415.3	78.5	89.1	77.4	115.1
1987-1988	351.3	434.9	80.8	83.6	82.3	101.6
1988-1989	385.4	465.4	82.8	80.0	85.9	93.1
1989-1990	415.0	552.4	75.1	137.4	89.1	154.3

II Revenues by Source and Expenses (and Operating Transfers Out) by Type

Revenues By Source

Fiscal Year	Employee Contributions	Employer Contributions			Investment Income	Other Income	Total
		Dollar Amount		Pensions as % of Covered Payroll			
		Health Benefits	Pensions				
1984-1985	$ -	$ -	$19.4	28.0%	$21.8	$ -	$41.2
1985-1986	-	-	15.6	21.1	32.5	-	48.1
1986-1987	.1	-	19.6	25.3	45.4	-	65.1
1987-1988	-	-	16.6	20.1	26.3	-	42.9
1988-1989	.1	3.5	16.2	18.9	35.0	-	54.8
1989-1990	.1	5.3	17.1	19.2	32.2	-	54.6

Expenses (and Operating Transfers Out) By Type

Fiscal Year	Benefits	Administration Expenses	Refunds	Other	Total
1984-1985	$12.0	$ .1	$ -	$ -	$12.1
1985-1986	12.4	.2	-	-	12.6
1986-1987	15.3	.3	-	-	15.5
1987-1988	17.6	.3	-	-	17.8
1988-1989	20.5	.2	-	-	20.7
1989-1990	24.7	.4	-	-	25.0

Schedule I demonstrates the progress the fund has made in accumulating sufficient assets to pay benefits when due. Since both the unfunded pension benefit obligation and the annual covered payroll are affected by inflation, the calculation of the unfunded pension benefit obligation as a percent of covered payroll provides information for analysis which substantially adjusts for inflation.

Schedule II presents revenues by source and expenses by type. Contributions were made in accordance with actuarially determined contribution requirements unless specifically identified.

Information for fiscal years prior to 1984-85 is not available. Each year these schedules will be expanded until they present 10 years of information.

*at cost

STATE OF MICHIGAN
REQUIRED SUPPLEMENTARY HISTORICAL TREND INFORMATION
STATE EMPLOYEES' RETIREMENT SYSTEM
LAST SIX YEARS
SEPTEMBER 30, 1990
(In Millions)

I Analysis of Funding Progress

Fiscal Year	Net Assets* Available for Benefits	Pension Benefit Obligation	Percentage Funded	Unfunded (Assets in Excess of) Pension Benefit Obligation	Annual Covered Payroll	Unfunded Pension Benefit Obligation as a Percentage of Covered Payroll
1984-1985	$2,349.5	$2,480.8	94.7%	$131.3	$1,516.0	8.7%
1985-1986	2,668.6	2,641.0	101.0	(27.6)	1,643.3	(1.7)
1986-1987	3,105.2	3,088.6	100.5	(16.6)	1,820.8	(.9)
1987-1988	3,383.2	3,386.8	99.9	3.6	1,945.7	.2
1988-1989	3,655.1	3,785.9	96.5	130.8	2,059.0	6.4
1989-1990	3,904.8	4,292.8	91.0	388.0	2,205.9	17.6

II Revenues by Source and Expenses (and Operating Transfers Out) by Type

Revenues By Source

Fiscal Year	Employee Contributions	Employer Contributions: Dollar Amount Health Benefits	Employer Contributions: Dollar Amount Pensions	Employer Contributions: Pensions as % of Covered Payroll	Investment Income	Other Income	Total
1984-1985	$1.4	$ 32.2	$188.4	12.4%	$213.6	$ -	$435.6
1985-1986	1.7	32.0	197.8	12.0	306.1	-	537.6
1986-1987	2.4	31.9	195.8	10.8	434.6	-	664.6
1987-1988	4.5	36.8	161.7	8.3	257.9	-	460.9
1988-1989	3.1	52.8	109.2	5.3	340.9	-	506.1
1989-1990	2.7	69.4	119.5	5.4	307.6	-	499.2

Expenses (and Operating Transfers Out) By Type

Fiscal Year	Benefits	Administration Expenses	Refunds	Other	Total
1984-1985	$152.4	$ 2.4	$ .2	$ -	$155.0
1985-1986	215.8	2.4	.3	-	218.5
1986-1987	225.4	2.5	.2	-	228.1
1987-1988	180.1	2.6	.2	-	182.9
1988-1989	231.5	2.5	.2	-	234.2
1989-1990	246.3	3.0	.1	-	249.5

Schedule I demonstrates the progress the fund has made in accumulating sufficient assets to pay benefits when due. Since both the unfunded pension benefit obligation and the annual covered payroll are affected by inflation, the calculation of the unfunded pension benefit obligation as a percent of covered payroll provides information for analysis which substantially adjusts for inflation.

Schedule II presents revenues by source and expenses by type. Contributions were made in accordance with actuarially determined contribution requirements unless specifically identified.

Information for fiscal years prior to 1984-85 is not available. Each year these schedules will be expanded until they present 10 years of information.

*at cost

STATE OF MICHIGAN
REQUIRED SUPPLEMENTARY HISTORICAL TREND INFORMATION
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
LAST SIX YEARS
SEPTEMBER 30, 1990
(In Millions)

I Analysis of Funding Progress

Fiscal Year	Net Assets* Available for Benefits	Pension Benefit Obligation	Percentage Funded	Unfunded Pension Benefit Obligation	Annual Covered Payroll	Unfunded Pension Benefit Obligation as a Percentage of Covered Payroll
1984-1985	$ 7,908.1	$ 9,621.0	82.2%	$1,712.9	$4,220.3	40.6%
1985-1986	8,890.6	10,525.6	84.5	1,635.0	4,561.4	35.8
1986-1987	10,178.5	13,021.9	78.2	2,843.3	4,749.9	59.9
1987-1988	11,142.3	15,393.9	72.4	4,251.6	5,274.2	80.6
1988-1989	12,251.4	17,193.7	71.3	4,942.3	5,399.3	91.5
1989-1990	13,287.1	19,431.0	68.4	6,143.9	5,818.3	105.6

II Revenues by Source and Expenses (and Operating Transfers Out) by Type

Revenues By Source

Fiscal Year	Employee Contributions	Employer Contributions - Dollar Amount: Health Benefits	Employer Contributions - Dollar Amount: Pensions	Employer Contributions: Pensions as % of Covered Payroll	Investment Income	Other Income	Total
1984-1985	$ 6.0	$ -	$532.7	12.6%	$ 715.3	$ -	$1,254.0
1985-1986	16.8	158.9	408.9	9.0	1,028.1	-	1,612.8
1986-1987	100.4	133.9	381.6	8.0	1,472.0	-	2,087.8
1987-1988	141.6	87.7	509.4	9.7	851.7	-	1,590.4
1988-1989	157.3	122.6	443.7	8.2	1,137.1	-	1,860.7
1989-1990	174.7	155.7	498.5	8.6	1,040.2	-	1,869.0

Expenses (and Operating Transfers Out) By Type

Fiscal Year	Benefits	Administration Expenses	Refunds	Other	Total
1985-1986	$371.0	$ 6.3	$ 2.2	$ -	$379.5
1985-1986	621.0	7.5	1.8	-	630.3
1986-1987	791.2	7.2	1.5	-	799.9
1987-1988	616.9	8.2	1.6	-	626.6
1988-1989	742.0	8.3	1.4	-	751.7
1989-1990	821.7	9.2	2.4	-	833.3

Schedule I demonstrates the progress the fund has made in accumulating sufficient assets to pay benefits when due. Since both the unfunded pension benefit obligation and the annual covered payroll are affected by inflation, the calculation of the unfunded pension benefit obligation as a percent of covered payroll provides information for analysis which substantially adjusts for inflation.

Schedule II presents revenues by source and expenses by type. Contributions were made in accordance with actuarially determined contribution requirements unless specifically identified.

Information for fiscal years prior to 1984-85 is not available. Each year these schedules will be expanded until they present 10 years of information.

*at cost

STATE OF MICHIGAN
REQUIRED SUPPLEMENTARY HISTORICAL TREND INFORMATION
PROBATE JUDGES' RETIREMENT SYSTEM
LAST SIX YEARS
SEPTEMBER 30, 1990
(In Millions)

I Analysis of Funding Progress

Fiscal Year	Net Assets* Available for Benefits	Pension Benefit Obligation	Percentage Funded	Unfunded Pension Benefit Obligation	Annual Covered Payroll	Unfunded Pension Benefit Obligation as a Percentage of Covered Payroll
1984–1985	$ 11.8	$ 16.3	72.4%	$ 4.5	$ 4.2	107.1%
1985–1986	13.2	17.6	75.0	4.4	4.1	107.3
1986–1987	15.0	19.9	75.4	4.9	4.7	104.3
1987–1988	15.8	21.1	74.9	5.3	4.5	117.7
1988–1989	16.7	22.1	75.7	5.4	3.9	138.5
1989–1990	17.3	22.4	77.2	5.1	3.8	134.6

II Revenues by Source and Expenses (and Operating Transfers Out) by Type

Revenues By Source

Fiscal Year	Employee Contributions	Employer Contributions: Dollar Amount	Employer Contributions: % of Covered Payroll	Investment Income	Other Income	Total
1984–1985	$ .2	$ .8	19.0%	$ 1.1	$ –	$ 2.0
1985–1986	.2	.8	19.5	1.4	–	2.4
1986–1987	.1	.8	17.0	2.1	–	3.0
1987–1988	.1	.8	17.8	1.1	–	2.0
1988–1989	.1	.7	18.7	1.6	–	2.4
1989–1990	.1	.7	19.7	1.3	–	2.2

Expenses (and Operating Transfers Out) By Type

Fiscal Year	Benefits	Administration Expenses	Refunds	Other	Total
1984–1985	$ .8	$ –	$ –	$ –	$ .8
1985–1986	.9	.1	–	–	1.0
1986–1987	1.0	.1	–	–	1.1
1987–1988	1.2	.1	–	–	1.3
1988–1989	1.4	.1	–	–	1.5
1989–1990	1.6	.1	–	–	1.7

Schedule I demonstrates the progress the fund has made in accumulating sufficient assets to pay benefits when due. Since both the unfunded pension benefit obligation and the annual covered payroll are affected by inflation, the calculation of the unfunded pension benefit obligation as a percent of covered payroll provides information for analysis which substantially adjusts for inflation.

Schedule II presents revenues by source and expenses by type. Contributions were made in accordance with actuarially determined contribution requirements unless specifically identified.

Information for fiscal years prior to 1984–85 is not available. Each year these schedules will be expanded until they present 10 years of information.

*at cost

STATE OF MICHIGAN
REQUIRED SUPPLEMENTARY HISTORICAL TREND INFORMATION
JUDGES' RETIREMENT SYSTEM
LAST SIX YEARS
SEPTEMBER 30, 1990
(In Millions)

I Analysis of Funding Progress

Fiscal Year	Net Assets* Available for Benefits	Pension Benefit Obligation	Percentage Funded	Unfunded Pension Benefit Obligation	Annual Covered Payroll	Unfunded Pension Benefit Obligation as a Percentage of Covered Payroll
1984-1985	$ 64.2	$ 85.6	75.0%	$21.4	$25.6	83.6%
1985-1986	75.5	93.3	80.9	17.8	27.4	65.0
1986-1987	90.2	112.9	79.9	22.7	31.1	73.0
1987-1988	100.4	124.1	80.9	23.7	34.1	69.5
1988-1989	113.1	133.3	84.8	20.2	37.1	54.4
1989-1990	125.3	141.5	88.5	16.2	39.1	41.5

II Revenues by Source and Expenses (and Operating Transfers Out) by Type

	Revenues By Source					
		Employer Contributions				
Fiscal Year	Employee Contributions	Dollar Amount	% of Covered Payroll	Investment Income	Other Income	Total
1984-1985	$1.7	$6.2	24.2%	$ 5.7	$ -	$13.6
1985-1986	1.8	6.8	24.8	8.3	-	16.8
1986-1987	2.0	6.9	22.2	12.3	-	21.3
1987-1988	2.2	6.0	17.1	7.4	-	15.5
1988-1989	2.3	6.5	17.6	10.0	-	18.9
1989-1990	2.4	6.8	17.4	9.5	-	18.8

	Expenses (and Operating Transfers Out) By Type				
Fiscal Year	Benefits	Administration Expenses	Refunds	Other	Total
1984-1985	$ 3.8	$ .1	$ -	$ 1.8	$ 5.8
1985-1986	3.8	.1	-	1.6	5.4
1986-1987	5.0	.2	-	1.4	5.7
1987-1988	5.1	.2	-	-	5.4
1988-1989	5.8	.2	.1	-	6.1
1989-1990	6.3	.2	.1	-	6.6

Schedule I demonstrates the progress the fund has made in accumulating sufficient assets to pay benefits when due. Since both the unfunded pension benefit obligation and the annual covered payroll are affected by inflation, the calculation of the unfunded pension benefit obligation as a percent of covered payroll provides information for analysis which substantially adjusts for inflation.

Schedule II presents revenues by source and expenses by type. Contributions were made in accordance with actuarially determined contribution requirements unless specifically identified.

Information for fiscal years prior to 1984-85 is not available. Each year these schedules will be expanded until they present 10 years of information.

*at cost

STATE OF MICHIGAN
REVENUE, BOND PROCEEDS, AND CAPITAL LEASE ACQUISITIONS
GENERAL AND SPECIAL REVENUE FUNDS – STATE FUNDS
LAST TEN YEARS
SEPTEMBER 30, 1990
(In Thousands)

SOURCE	1980-1981	1981-1982	1982-1983	1983-1984
TAXES:				
Sales	$ 1,594,970	$ 1,570,630	$ 1,698,983	$ 1,924,996
Personal Income	2,036,016	2,162,858	2,770,377	3,189,705
Single Business	942,249	943,148	1,041,745	1,280,547
Use Tax	245,689	247,358	279,516	317,332
Liquor, Beer, Wine, and Cigarette Tax	243,254	279,778	331,975	331,881
Telephone and Telegraph Company Tax	98,773	105,195	107,984	113,073
Insurance Company Taxes	110,972	104,253	101,573	103,411
Motor Vehicle and Fuel Tax	652,121	671,429	704,118	828,555
Other Taxes	270,973	286,539	301,159	316,232
TOTAL TAXES	6,195,020	6,371,191	7,337,434	8,405,736
FEDERAL AGENCIES	2,602,459	2,635,608	2,770,046	3,030,149
LOCAL AGENCIES	71,149	119,144	140,489	122,772
SERVICES	55,827	59,779	62,511	53,625
LICENSES AND PERMITS	126,897	123,053	129,253	137,557
MISCELLANEOUS	229,039	195,383	142,791	220,590
TOTAL REVENUE	9,280,393	9,504,160	10,582,524	11,970,430
PROCEEDS FROM BOND ISSUES	64,010	-	132,186	107,714
CAPITAL LEASE ACQUISITIONS	-	-	-	-
TOTAL REVENUE, BOND PROCEEDS, AND CAPITAL LEASE ACQUISITIONS	$ 9,344,403	$ 9,504,160	$10,714,710	$12,078,144

NOTES: This schedule was prepared on the Statutory/Budgetary basis for years prior to 1981-82, and on the Generally Accepted Accounting Principles (GAAP) basis for years subsequent to 1980-81.

The recording of capital lease acquisitions began in 1984-85 and prior year amounts are not available.

1984-1985	1985-1986	1986-1987	1987-1988	1988-1989	1989-1990
$ 2,142,624	$ 2,283,138	$ 2,348,446	$ 2,474,963	$ 2,615,208	$ 2,671,267
3,311,680	3,153,952	3,350,297	3,573,727	3,766,158	3,907,700
1,378,424	1,526,598	1,497,622	1,828,702	1,845,443	1,798,604
341,400	390,839	397,800	418,969	475,855	473,918
334,530	330,842	332,528	377,401	378,806	369,873
110,236	116,880	122,801	128,589	138,734	142,271
116,994	148,551	140,093	43,881	76,601	78,647
981,431	1,004,476	1,024,709	1,049,558	1,090,727	1,148,361
240,704	315,524	377,432	389,746	463,359	471,754
8,958,026	9,270,804	9,591,730	10,285,539	10,850,896	11,062,400
3,190,771	3,498,625	3,613,402	3,714,726	3,861,766	4,136,457
118,064	127,566	134,251	151,811	141,089	161,574
92,459	112,844	101,040	103,565	105,581	102,550
147,879	151,617	175,572	216,490	251,810	264,453
314,287	445,957	392,736	382,518	448,856	508,114
12,821,486	13,607,416	14,008,735	14,854,652	15,660,001	16,235,550
32,875	7,518	-	300	3,400	225,506
25,071	9,100	12,246	26,490	57,249	62,904
$12,879,434	$13,624,035	$14,020,981	$14,881,443	$15,720,651	$16,523,962

STATE OF MICHIGAN
SCHEDULE OF EXPENDITURES BY FUNCTION
GENERAL AND SPECIAL REVENUE FUNDS - STATE FUNDS
LAST TEN YEARS
SEPTEMBER 30, 1990
(In Thousands)

	1980-1981	1981-1982	1982-1983	1983-1984
Current:				
General government	$ 393,324	$ 487,728	$ 437,401	$ 497,204
Education	2,949,451	2,740,003	3,002,609	3,269,098
Health and welfare	3,284,977	3,591,335	3,770,789	4,042,865
Public safety and corrections	338,269	361,914	374,122	424,621
Conservation, recreation, and agriculture	169,721	174,602	185,585	182,347
Labor, commerce, and regulatory	416,901	387,837	444,322	501,165
Mental health	714,708	627,201	630,294	711,658
Transportation	659,516	669,724	667,677	782,802
Items not assigned to a function	-	8,238	64,370	6,913
Capital outlay	329,670	368,955	278,075	406,988
Intergovernmental - revenue sharing	542,232	525,124	595,097	674,312
Debt service - capital lease payments	-	-	-	-
Total Expenditures	$ 9,798,774	$ 9,962,661	$10,450,343	$11,499,978

NOTE: This schedule was prepared on the statutory/budgetary basis for years prior to 1981-82, and on the Generally Accepted Accounting Principles (GAAP) basis for years subsequent to 1980-81.

The recording of payments on capital leases as debt service expenditures began in 1984-85 and comparable prior year numbers are not available.

1984-1985	1985-1986	1986-1987	1987-1988	1988-1989	1989-1990
$ 536,658	$ 615,666	$ 610,583	$ 724,562	$ 742,936	$ 798,811
3,629,377	4,055,335	4,275,186	4,547,950	4,620,323	5,002,599
4,187,289	4,471,975	4,636,720	4,784,690	5,043,127	5,528,554
485,832	573,394	687,719	774,301	879,120	991,238
214,510	253,893	270,509	291,564	297,720	361,662
523,445	535,803	595,868	596,703	610,344	628,903
815,537	903,129	1,022,501	1,100,307	1,164,363	1,244,269
840,177	853,218	904,401	958,246	1,031,773	1,090,662
2,728	121	57	2	6	-
428,598	588,524	616,875	571,573	521,922	500,606
761,748	831,087	879,238	963,279	1,021,119	1,064,969
17,879	20,858	25,987	35,183	43,347	41,331
$12,443,785	$13,703,009	$14,525,650	$15,348,364	$15,976,107	$17,253,609

STATE OF MICHIGAN
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL OBLIGATION BONDED DEBT TO TOTAL GENERAL FUND EXPENDITURES AND TRANSFERS
LAST TEN YEARS
SEPTEMBER 30, 1990
(In Thousands)

FISCAL YEAR	PRINCIPAL	INTEREST AND FISCAL CHARGES	TOTAL DEBT SERVICE EXPENDITURES	TOTAL GENERAL FUND EXPENDITURES AND TRANSFERS	RATIO OF DEBT SERVICE EXPENDITURES TO GENERAL FUND EXPENDITURES AND TRANSFERS
1980-1981	33,885	17,341	51,227	7,482,732	.68
1981-1982	40,279	16,579	56,859	7,516,015	.76
1982-1983	43,000	14,471	57,471	8,143,129	.71
1983-1984	41,000	12,367	53,367	9,051,729	.59
1984-1985	44,418	12,185	56,603	9,724,446	.58
1985-1986	51,200	12,911	64,111	10,512,879	.60
1986-1987	40,300	10,929	51,229	11,139,168	.46
1987-1988	28,500	8,410	36,910	11,750,067	.32
1988-1989	26,500	6,643	33,143	12,206,003	.27
1989-1990	22,400	7,547	29,947	13,365,244	.22

NOTE: Principal and interest on short-term general obligation notes are not included in this bonded debt schedule.

This schedule was prepared on the Statutory/Budgetary basis.

STATE OF MICHIGAN
NET GENERAL OBLIGATION BONDED DEBT PER CAPITA
LAST TEN YEARS
SEPTEMBER 30, 1990
(In Thousands)

FISCAL YEAR	POPULATION*	GROSS BONDED DEBT	LESS DEBT SERVICE FUNDS	NET BONDED DEBT	NET BONDED DEBT PER CAPITA (IN DOLLARS)
1980-1981	9,196	409,600	5,837	403,762	43.91
1981-1982	9,099	361,000	6,204	354,795	38.99
1982-1983	9,056	309,300	7,960	301,339	33.28
1983-1984	9,107	259,300	3,132	256,167	28.13
1984-1985	9,137	241,700	2,607	239,092	26.17
1985-1986	9,160	198,000	5,669	192,330	20.99
1986-1987	9,210	157,700	2,413	155,287	16.86
1987-1988	9,315	129,500	3,953	125,547	13.48
1988-1989	9,319	106,400	5,444	100,956	10.83
1989-1990	9,350	189,320	6,538	182,782	19.55

*SOURCE: Federal Bureau of the Census and Michigan Department of Management and Budget.

STATE OF MICHIGAN
DEBT SERVICE COVERAGE
COMPREHENSIVE TRANSPORTATION FUND RELATED BONDS
LAST TEN YEARS
September 30, 1990
(In Millions)

	1980-81	1981-82	1982-83	1983-84
Constitutionally Restricted Transportation Fund Revenues:				
Motor Fuel Taxes	$446.4	$455.8	$464.4	$570.7
Registration Taxes	211.0	213.5	237.7	255.9
Miscellaneous Fees	11.2	17.5	18.8	20.4
Total	668.6	686.8	720.9	847.0
Less Deductions	52.1	50.2	58.9	56.7
Remaining Balance	616.5	636.6	662.0	790.3
Portion of Balance Credited to Comprehensive Transportation Fund (excluding interest)	52.3 (1)	52.1	63.8	78.5
100% of Net Aircraft Fuel Taxes	4.2 (2)	3.9 (2)	-	-
Motor Vehicle Related Sales Tax Revenues	$362.8	$363.7	$412.8	$511.2
Allocation to Comprehensive Transportation Fund	24.0	25.4	24.5	35.7
Constitutionally Restricted Revenues Credited to Comprehensive Transportation Fund	$ 80.5	$ 81.4	$ 88.3	$114.2
Plus Other Revenues (primarily interest)	- (3)	9.0	4.7	4.5
Money Available for Debt Service	80.5	90.4	93.0	118.7
Actual Annual Debt Service (4)	9.8	16.4	16.2	19.3
Debt Service Coverage	8.21x	5.51x	5.74x	6.15x

(1) The "Portion of Balance of Transportation Fund" revenues credited to the Comprehensive Transportation Fund for fiscal year 1980-81 includes interest.

(2) Net aircraft fuel taxes, licenses and other revenues are included in "Money Available for Debt Service" in fiscal years 1980-81 and 1981-82. Beginning in fiscal year 1982-83, net aircraft fuel taxes, licenses and other revenues are deposited directly in the Aeronautics Fund.

(3) "Money Available for Debt Service" does not include "Plus Other Revenues (primarily interest)" for fiscal year 1980-81.

(4) The above table does not include debt service on refunded bonds.

Source: Michigan Department of Transportation

1984–85	1985–86	1986–87	1987–88	1988–89	1989–90
$616.4	$644.7	$656.2	$ 681.6	$ 680.0	$ 680.6
286.7	300.0	315.6	363.2	397.0	409.8
24.4	25.4	23.6	46.0	63.5	61.2
927.5	970.1	995.4	1,090.9	1,140.5	1,151.6
61.6	68.2	69.7	76.2	83.3	84.7
865.9	901.9	925.7	1,014.6	1,057.2	1,066.9
87.4	90.3	92.6	101.7	105.5	106.4
=	=	=	=	=	=
$590.7	$619.6	$593.3	$ 606.2	$ 637.2	$ 653.2
41.3	43.2	41.4	42.3	44.4	45.6
$128.7	$133.5	$134.0	$ 144.0	$ 149.9	$ 152.0
9.2	6.2	8.3	6.1	7.7	5.9
137.9	139.7	142.3	150.1	157.6	157.9
20.2	20.4	22.0	21.4	20.9	20.7
6.83x	6.84x	6.47x	7.01x	7.54x	7.63x

STATE OF MICHIGAN
DEBT SERVICE COVERAGE
STATE TRUNKLINE FUND RELATED BONDS
LAST TEN YEARS
September 30, 1990
(In Millions)

	1980-81	1981-82	1982-83	1983-84
Constitutionally Restricted Transportation Fund Revenues:				
Motor Fuel Taxes	$446.4	$455.8	$464.4	$570.7
Registration Taxes	211.0	213.5	237.7	255.9
Miscellaneous Fees	11.2	17.5	18.8	20.4
Total	668.6	686.8	720.9	847.0
Less Deductions:				
Collection Costs	39.4	42.7	51.0	48.5
Mackinac Bridge Authority	3.5	3.5	3.5	3.5
Waterways/Recreational Improvement Fund	4.2	4.0	4.3	4.8
Comprehensive Transportation Fund (excluding interest)	50.8	51.8	63.9	78.5
Critical Bridge Fund	5.0	5.0	5.0	5.0
Economic Development Fund	-	-	-	-
Total Deductions	102.9	107.0	127.7	140.3
Constitutionally Restricted Revenues Available for Distribution	565.7	579.8	593.2	706.7
Plus Other Revenues (primarily interest)	13.0	10.1	6.4	8.2
Total Money Available for Distribution (2)	578.7	589.9	599.6	714.9
Distributions to:				
Cities and Villages (2)	122.6	123.1	124.2	157.0
County Road Commissions (2)	219.0	222.4	230.7	280.2
State Trunkline Fund (2)	241.5	244.6	247.5	277.7
State Trunkline Fund Money Available for Debt Service	241.5	244.6	247.5	277.7
Economic Development Fund Money Available for Debt Service	-	-	-	-
Total Available for Debt Service	241.5	244.6	247.5	277.7
Actual Annual Debt Service (1)	27.6	22.6	16.9	28.7
Debt Service Coverage	8.75x	10.82x	14.64x	9.68x

(1) The table above excludes amounts related to refunded bonds.

(2) Distributions to Cities and Villages, County Road Commissions, and the State Trunkline Fund for 1980-81 and 1981-82 fiscal years may not equal Total Money Available for Distribution due to carry-overs in prior years.

SOURCE: Michigan Department of Transportation.

1984-85	1985-86	1986-87	1987-88	1988-89	1989-90
$616.4	$644.7	$656.2	$ 681.6	$ 680.0	$ 680.6
286.7	300.0	315.6	363.2	397.0	409.8
24.4	25.4	23.6	46.0	63.5	61.2
927.5	970.1	995.4	1,090.8	1,140.5	1,151.6
52.4	57.4	62.2	66.1	70.9	72.3
3.5	3.5	-	-	-	-
5.7	7.3	7.5	10.1	12.4	12.4
87.4	91.1	93.3	101.7	105.5	106.4
5.0	5.0	5.0	5.0	5.0	5.0
-	-	-	21.6	36.8	36.8
154.0	164.3	168.0	204.5	230.6	232.9
773.5	805.8	827.3	886.3	909.9	918.7
7.3	8.0	7.1	7.6	10.1	8.6
780.8	813.8	834.4	893.9	920.0	927.3
170.3	178.7	183.4	196.8	202.0	204.1
304.5	317.1	325.5	348.7	359.0	361.6
306.0	318.0	325.5	348.4	359.0	361.6
306.0	318.0	325.5	348.4	359.0	361.6
-	-	-	21.6	36.8	36.8
306.0	318.0	325.4	370.0	395.8	398.4
40.6	32.8	29.3	23.7	23.7	29.6
7.54x	9.70x	11.11x	15.61x	16.70x	13.46x

THIS PAGE INTENTIONALLY BLANK

STATE OF MICHIGAN

ECONOMIC AND SOCIAL DATA

GENERAL INFORMATION

On January 26, 1837, Michigan was admitted to the Union as the twenty-sixth state. It is located in the East North Central Census Region and is bordered by Canada and the states of Ohio, Indiana, and Wisconsin. Michigan contains 57,022 square miles of land mass (exclusive of 1,194 square miles of inland water and 38,575 square miles of great lakes water area) with 3,288 miles of shoreline on four of the five great lakes. A combined water and land area of 96,791 square miles makes it the tenth largest state.

POPULATION

The following table presents population trends for Michigan for the last ten years, estimated at September 30 (in thousands):

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Population.....	9,196	9,099	9,056	9,107	9,137	9,160	9,210	9,315	9,319	9,350
Percent Change.....	(.5%)	(1.1%)	(.5%)	.6%	.3%	.3%	.5%	1.1%	.0%	.3%

Source:

U.S. Bureau of the Census (adjusted to September 30 by the Office of Revenue and Tax Analysis, Michigan Department of Management and Budget).

WEALTH

The following table presents per capita income, retail sales, taxable property, and bank deposits data during the years 1980-1989:

	Per Capita Income (a)		Retail Sales (b) (In Millions)		Taxable Property Value (c) (In Millions)	Bank Deposits (d) (In Millions)
YEAR	MI	U.S.	MI	U.S.	MI	MI
1980	$10,165	$ 9,919	$37,337	$ 957,350	$ 82,646	$ 62,905
1981	10,865	10,949	39,154	1,038,698	92,059	65,735
1982	11,100	11,480	38,020	1,069,369	98,210	68,312
1983	11,866	12,098	41,637	1,170,837	98,344	75,852
1984	13,030	13,114	45,829	1,287,789	100,171	80,919
1985	14,001	13,896	51,126	1,375,704	102,796	86,983
1986	14,879	14,597	54,971	1,450,317	106,242	93,960
1987	15,473	15,423	57,458	1,542,102	111,255	97,257
1988	16,391	16,513	60,908	1,650,005	119,090	102,615
1989	17,444	17,596	64,991	1,733,654	128,813	104,852

Sources:

(a) U.S. Department of Commerce, Bureau of Economic Analysis.
(b) U.S. Department of Commerce, Bureau of the Census.
(c) State of Michigan, Department of Treasury, Property Tax Division.
(d) State of Michigan, Department of Commerce, Financial Institutions Bureau. The amounts shown include state and national banks, state and federal credit unions, and state and federal savings and loan associations.

EMPLOYMENT

The following table presents employment data (expressed in thousands) for the State of Michigan for the calendar years 1980–1989:

Year	Total Labor Force	Total Employment	Unemployment	Unemployment Rate
1980	4,293	3,759	534	12.4%
1981	4,306	3,777	529	12.3%
1982	4,277	3,616	661	15.5%
1983	4,286	3,678	608	14.2%
1984	4,347	3,860	486	11.2%
1985	4,352	3,920	433	9.9%
1986	4,391	4,005	385	8.8%
1987	4,524	4,155	369	8.2%
1988	4,543	4,198	345	7.6%
1989	4,592	4,267	326	7.1%

Wage and salary employment for calendar years 1985–1989 consisted of the following (in thousands):

Wage and Salary Employment

	1985	1986	1987	1988	1989
Manufacturing					
Durable Goods:					
Lumber & Wood	12.7	13.2	14.3	15.7	15.5
Furniture & Fixtures	26.7	28.2	31.3	33.8	35.4
Stone, Clay and Glass Products	17.4	17.5	17.8	16.8	17.3
Primary Metals	52.0	49.9	48.6	46.5	45.4
Fabricated Metals	124.5	122.8	119.0	119.5	125.5
Nonelectric Machinery	134.1	132.6	123.0	121.7	125.9
Electric Machinery	36.1	37.7	37.4	33.8	34.7
Transportation Equipment	361.3	359.7	337.6	314.4	307.1
Other Durables	22.2	21.7	22.6	24.3	27.3
Total Durable Goods	787.0	783.3	751.6	726.5	734.1
Nondurable Goods:					
Food & Kindred	45.8	45.5	45.2	45.2	45.4
Textiles & Apparel	22.6	22.9	22.5	22.4	22.7
Paper & Allied Products	21.3	21.1	21.1	20.7	21.3
Printing & Publication	37.9	38.5	40.0	42.7	44.4
Chemicals & Petroleum	43.5	42.3	43.0	44.9	46.3
Other Nondurables	44.3	46.8	49.1	53.0	57.1
Total Nondurables	215.4	217.1	220.9	228.9	237.2
Total Manufacturing	1,002.4	1,000.4	972.5	955.4	971.3
Nonmanufacturing					
Construction	107.8	115.2	123.3	132.2	139.9
Transportation, Communications and Utilities	145.9	149.0	152.3	153.8	155.3
Wholesale Trade	174.6	180.9	186.2	191.1	196.0
Retail Trade	617.4	638.7	674.4	703.1	726.6
Finance, Insurance and Real Estate	163.3	171.0	179.6	186.2	187.4
Services	759.5	793.8	826.0	863.3	912.2
Mining	9.9	9.6	9.9	10.5	10.3
Total Nonmanufacturing	1,978.4	2,058.4	2,151.7	2,240.2	2,327.7
Government	580.7	598.6	611.6	623.5	623.2
Total Wage and Salary Employment	3,561.5	3,657.3	3,735.8	3,819.2	3,922.3

Source: Michigan Employment Security Commission.